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Intersecretariat Working Group on National Accounts

Note by the Secretary-General

In accordance with a request of the Statistical Commission at its thirty-seventh session,** the Secretary-General has the honour to transmit to the Statistical Commission the report of the Intersecretariat Working Group on National Accounts. The Commission is requested to comment on the overall progress in the updating of the *System of National Accounts, 1993* (1993 SNA). The Commission is also requested to consider adopting the recommendations on the update of the 1993 SNA made by the Intersecretariat Working Group.

* E/CN.3/2007/1.

** See *Official Records of the Economic and Social Council, 2006, Supplement No. 4* (E/2006/24), chap. I, para. 2.

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Report of the Intersecretariat Working Group on National Accounts

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I. Introduction

1. At its thirty-seventh session, the Statistical Commission:

(a) Commended the progress made in the updating of the *System of National Accounts, 1993* (1993 SNA)[1] in the issues-oriented phase of the update process, as reflected in the report of the Intersecretariat Working Group on National Accounts (E/CN.3/2006/6), acknowledged the focused contributions and expertise provided by a wide range of countries and organizations to the work of that phase and expressed confidence in the Intersecretariat Working Group in maintaining the momentum in the drafting and review phases of the update process in 2006 and 2007;

(b) Attributed the commendable progress in the update of the 1993 SNA to the adoption of the project management approach and the extensive use of a transparent interactive website and recommended that approach and technology be applied in similar statistical projects and programmes;

(c) Welcomed the inclusion of a chapter on the measurement of informal sector activities in the revision of the 1993 SNA;

(d) Took note of the concerns regarding the treatment of unfunded government pension schemes and the need for continuing consultations on the recommendation of the Advisory Expert Group on National Accounts on that issue and expressed that it would welcome a timely resolution within the existing governance structure of the Working Group;

(e) Recommended that the Intersecretariat Working Group continue to include the treatment of government social services in its research agenda;

(f) Recognized the need for an adequate response to requests from Member States for assistance in capacity-building for the implementation of the revision of the 1993 SNA, and accepted the proposal by the Intersecretariat Working Group to prepare a programme of implementation to be available to the Commission by its thirty-ninth session.

2. Chapter II provides a report on progress since the thirty-seventh session of the Statistical Commission and looks ahead over the period that will end with the Commission's thirty-ninth session. Chapter III presents the recommendations for the update of the 1993 SNA that are before the Commission for its consideration and, if approved, their adoption. A background document, entitled *The Full Set of Consolidated Recommendations*, contains the recommendations made by the Advisory Expert Group on National Accounts. Points for discussion are contained in paragraph 54.

II. Progress on the update of the 1993 System of National Accounts

A. Background

3. In 2003, the United Nations Statistical Commission called for an update of the 1993 SNA to bring accounts into line with the new economic environment, advances

[1] United Nations publication, Sales No. E.94.XVII.4.

in methodological research and the needs of users. The Commission mandated that the update would not recommend fundamental or comprehensive changes to the 1993 SNA that would impede its implementation, that recommendations for change should consider feasibility of implementation and that consistency with related manuals should be an important consideration.

4. The Intersecretariat Working Group on National Accounts — comprising the Statistical Office of the European Communities (Eurostat), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), the United Nations and the World Bank — was asked to organize and coordinate the update project, assisted in its work by the project manager and editor. The timetable, as agreed to by the Statistical Commission at its thirty-fifth session, calls for the draft *1993 SNA, Rev.1* to be ready for adoption by the Commission at its thirty-ninth session.

5. The Statistical Commission emphasized the need for the broadest possible involvement of the global statistical community in the update project and the Advisory Expert Group on National Accounts, comprising 20 country experts from all regions of the world, was established to play a key role in the update. The Advisory Expert Group considers proposals for change and expresses its views, both in meetings and in web-based written consultations. The project website, maintained by the United Nations Statistics Division at http://unstats.un.org/unsd/nationalaccount/snarev1.asp, promotes transparency and the wide involvement of national accounts experts. The website provides comprehensive and timely information related to the update, including the five-year work programme, the agreed list of update issues, related papers, recommendations of the Expert Group, comments by countries on the recommendations and links to related sites.

B. Progress since the thirty-seventh session of the Commission

6. At the time of the thirty-seventh session of the Statistical Commission, the project manager outlined several steps to make the transition from the issues-oriented phase of the project and to begin the drafting and review phase. Overall, the work has progressed as planned, with some aspects requiring more effort than envisaged a year ago and some taking less.

7. One challenge was to conclude the consideration of issues, while taking care to avoid new consideration of recommendations which had been completed. In accordance with the need expressed by the Commission for further consultation on the treatment of government unfunded pensions, consultations proceeded in several stages, leading to a compromise as described in chapter III. The winding up of work on contracts, leases and licences proved to be complex and required extensive consultation with the Advisory Expert Group. Those consultations and work on several points of consistency proved to be time-consuming and, therefore, it was not until early in October 2006 that a conclusion was reached on almost all of them.

8. The work programme adopted by the Commission at its thirty-fifth session called for a period of review of the consistency of the recommendations and the overall integrity of the System in 2006. The document entitled *Full Set of Provisional Recommendations* was the main vehicle to support such a review. The document, which was completed in April 2006, contains descriptions of the issues and the recommendations of the Advisory Expert Group as at that date. It was sent

to national statistical offices and interested central banks with an invitation to comment thereon by mid-September. It was posted on the project website in English, French, Russian and Spanish. To obtain further feedback, the document also served as the basis of discussion at several meetings, as described in paragraph 18.

9. The drafting of chapters began in earnest as the work on issues drew to a close. The main tool for tracking progress during the drafting and review phase is a chapter-by-issue matrix. The progress matrix was posted on the project website with the first draft chapters for comment by countries worldwide and the Advisory Expert Group early in October 2006. The colour of the entry for each chapter in the matrix indicates the current stage of that chapter as it goes from first posting for comment, revision and finally ready for consideration by the Statistical Commission. A key feature of the presentation of the draft chapters is the identification, in the matrix, of which of the 44 recommendations affect each chapter. It clearly identifies the due dates for country and Advisory Expert Group comments; timely comments will be essential if bottlenecks are to be avoided.

10. The long-term research agenda may be consulted on a page on the project website. It identifies topics related to the SNA that need to be explored but were considered to be outside the scope of the present update or were likely to take more time than was available. Although attention will be kept focused on completing the update on schedule, it is important to start planning and outlining the research and consultation that needs to be done in the future. Comments and proposals have been requested on the topics to be considered for long-term research.

C. Looking ahead

11. The drafting and review of chapters for the *1993 SNA, Rev.1*, is moving ahead according to the plan described earlier in 2006. The plan calls for the draft chapters — some 27 in all — to be divided into roughly two equal tranches so that work by the editor and reviewers can proceed in parallel. The first tranche comprises the chapters that might be called the heart of the SNA, mainly the chapters that cover the sequence of accounts from production to the balance sheet. As noted earlier, the first two of these chapters were posted on the project website for a 60-day comment period on 3 October 2006. Since then, more have been posted. Work on the chapters included in the second tranche will continue in 2007.

12. An Advisory Expert Group meeting is planned for 19-23 March 2007, hosted by the United Nations Economic Commission for Africa. The timing was planned so that the meeting would have the benefit of the reactions of the Statistical Commission to the recommendations. The main agenda item will be on draft chapters, drawing on the Commission's reactions to the recommendations and comments received from countries and Advisory Expert Group members on the draft chapters. Other agenda items will include proposals for manuals to support the SNA, opening consideration of the topic of general implementation and early organizational steps on the long-term research agenda. A second Advisory Expert Group meeting is planned towards the end of 2007 to deal with the second tranche of chapters and more on implementation.

13. The Intersecretariat Working Group, in addition to its overall role as a coordinating body, will continue to support the editor by reviewing drafts and by

researching and helping to reach conclusions on points that come up in the drafting, consulting the Advisory Expert Group as appropriate. The United Nations Statistics Division will continue to provide secretariat services and to maintain the project website, where it is likely that attention will focus on the progress matrix that details the work and due dates for comments on the draft chapters. The attention of the Intersecretariat Working Group will increasingly turn to implementation of the recommendations, with a view to delivering on its commitment to present an implementation strategy to the Commission at its thirty-ninth session.

III. Recommendations for the update of the 1993 System of National Accounts

A. The process of reaching recommendations

14. An initial list of issues to be considered in the update was drawn up by the Intersecretariat Working Group. That list, which included issues that had been on the research agenda presented in the *System of National Accounts, 1993* and some that had surfaced later, was endorsed by the Statistical Commission at its thirty-fourth session. The Commission asked that the list be kept open-ended for further proposals, subject to approval by the Advisory Expert Group. The Advisory Expert Group discussed the list at its first meeting in February 2004, and, after some consolidation, the agreed list of 44 issues has provided the framework for the scope of the research undertaken, the discussion and consultations carried out and, ultimately, the recommendations being made. As noted above, issues that have arisen but which are beyond the scope of the update have been referred to the long-term research agenda.

15. As set out in the work programme approved by the Statistical Commission, the consideration of issues proceeded in steps. First, issues were researched and discussed in topical expert groups. Those groups included the Canberra II Group on Non-Financial Assets, the Task Force on the Harmonization of Public Sector Accounts, the IMF Committee on Balance of Payments Statistics, the Task Force on the Valuation and Measurement of Equity, the Task Force on Financial Services, the Expert Group Meeting on Industrial Statistics and several special-purpose electronic discussion groups and task forces (for example, on pensions). The groups prepared issues papers, including recommendations, for the Advisory Expert Group to consider. The Advisory Expert Group met four times from 2004 to 2006, discussing and making recommendations on each of the 44 issues. Some issues were relatively simple, with a limited impact on accounts and on the text, but some were complex. A number of them were discussed by the Advisory Expert Group several times, progressively following up on questions and filling in details to reach a recommendation.

16. After each meeting, the Advisory Expert Group's recommendations were sent to national statistical offices and interested central banks, with an invitation to them to comment thereon. In all, comments were received from almost 100 countries. From 40 to 60 countries commented after each round of recommendations. The comments, which are posted on the project website, provide a rich source of information on why countries supported the recommendations or, in some cases, why they did not; their views on implementation of the recommendations; and ideas

about the kind of guidance they would hope to find in the updated SNA. In depth and breadth, the country involvement has been noteworthy. Thanks to technology and concerted efforts by all concerned, more is known about countries' views at the current stage than has ever been known about an international project of a similar scope.

17. The dissemination, in April 2006, of the document entitled *Full Set of Provisional Recommendations*, opened a five-month period for comments on all the recommendations taken as a whole, especially on the internal consistency of the recommendations and the integrity of the resulting System.

18. Throughout the period of formulating and reviewing the recommendations, a number of workshops and meetings provided opportunities to inform participants about the ongoing update and to debate the issues. Many were regional but some were broader in their participation. The following is only a partial list but it suggests the different kinds of forums in which the Intersecretariat Working Group, project manager, editor and some Advisory Expert Group members participated as part of the outreach effort:

(a) In collaboration with the United Nations regional commissions, regional workshops on the 1993 SNA update were held for national accountants in the Asia-Pacific region in April 2005, in Latin America and the Caribbean in October 2005 and August 2006, in Africa in November 2005 and in Western Asia in December 2006;

(b) The joint United Nations Economic Commission for Europe/Eurostat/OECD meeting of national accountants in April 2006 focused on issues related to updating the SNA. It had before it the *Full Set of Provisional Recommendations* during its discussions;

(c) The Delhi Group on Informal Sector Statistics discussed the proposed chapter in the updated SNA, on the informal sector, in May 2006;

(d) The United Nations Statistics Division held a seminar on the creation, recognition and valuation of intellectual assets in New York, in July 2006. The participants were academics, business accountants and national accountants;

(e) The annual meetings of the OECD Working Party on National Accounts provided a forum for a debate on key issues in the update;

(f) The European Central Bank hosted a meeting with data users following the Advisory Expert Group meeting in Frankfurt, Germany, in February 2006;

(g) A session on the SNA update was included in the Forum for Asia-Pacific Statisticians, the meeting of heads of national statistical offices in the region, in September 2006. That session, in addition to discussing key recommendations, began exploring an implementation strategy.

B. Overview of the recommendations

19. The recommendations of the Advisory Expert Group for updating the 1993 SNA are presented in a separate background document entitled *The Full Set of Consolidated Recommendations* (*Consolidated Recommendations*). That document includes complete recommendations where consultations were still in progress when

the *Full Set of Provisional Recommendations* was prepared. It also includes selected clarifications.

20. As can be seen from the descriptions of issues in the *Consolidated Recommendations*, the motivations to consider the agreed issues were diverse. The reasons included the need to design treatments for units and transactions that arose or became more prominent since the 1993 SNA was completed, to remove inconsistencies in the 1993 SNA, to harmonize the 1993 SNA with other manuals in the field of macroeconomic statistics and to proceed with the research agenda left at the end of the process leading up to the 1993 SNA. The recommendations cut across almost all parts of the SNA, but they are concentrated in parts that deal with non-financial assets, financial services and financial instruments, the rest of the world (balance of payments) and government and the public sector. In other words, the majority of the recommendations relate to units and transactions that represent characteristics of an increasingly globalized economy; come from increased interest in the sources of wealth and debt; recognize the increasing role of intangible non-financial assets; take into account further innovation in financial markets; reflect the interest in better measures of the impact of pension liabilities in the context of an ageing population; and recognize the need for better measures of government and public-sector debt and deficit. Some of the recommendations affect major aggregates of the System, such as gross domestic product and savings, as would be expected of an update intended to capture the evolving aspects of production, consumption and accumulation. Many other recommendations do not affect the major aggregates but reflect a range of other elements, including elaborations and clarifications of definitions and classifications.

21. Two features of the recommendations deserve special attention in light of the interest expressed by the Statistical Commission. First, the recommendations reflect the successful efforts to harmonize the SNA and other international statistical standards and manuals. Most striking is the close coordination of the update of the 1993 SNA and the revision of the *Balance of Payments Manual, Fifth Edition*.[2] The two projects are proceeding on roughly similar schedules, and this allowed issues that cut across the two areas to be considered by both groups. When feasible, the editors of the two manuals participated at the other project's meetings and they have been in close contact to agree on definitions and the like. Both the IMF *Government Finance Statistics Manual*[3] and the *Monetary and Financial Statistics Manual*[4] were already harmonized with the 1993 SNA. Throughout the update, close attention was paid to further harmonization with these manuals and the *Integrated Environmental and Economic Accounting, 2003*.[5] Similarly, close coordination was carried out to maintain consistency with the major classification systems. For example, as a clarification — but an important one — an agreed structure for the high-level presentation of industries in the SNA was worked out that was consistent with the *International Standard Industrial Classification of All Economic Activities, Rev.4*.[6]

22. Second, the recommendations, when appropriate, draw upon international standards for business and public accounting. Every effort was made in researching

[2] Washington, D.C., IMF, 1993.
[3] Ibid., 2003.
[4] Ibid., 2000.
[5] Studies in Methods, Series F, No. 61, Rev.1.
[6] United Nations publication, Sales No. E.03.XVII.4.

the issues to take into account the existing and emerging standards of the accounting community, particularly those of the International Accounting Standards Board and the International Public Sector Accounting Standards Board. That is particularly important because of their increasingly international application. Examples of recommendations that are supported by accounting standards are those for mineral exploration, non-performing loans and military expenditures.

C. Results of the consultations on the provisional recommendations

23. The consultations show unanimous or near unanimous support for almost all of the provisional recommendations of the Advisory Expert Group. The near unanimous support now extends to one issue, pension schemes, that a year ago led the Statistical Commission to note that further consideration of government unfunded pensions was needed. As a result of subsequent consultations, a solution emerged that is now widely accepted and incorporated in the *Consolidated Recommendations*. A key feature of the solution is that the updated SNA would include an additional standard table on pensions. That table would show all flows and stocks of the pension entitlements for all pension schemes. Such a table would make cross-country comparisons of financial aspects of pensions possible while still allowing flexibility in how far the pension entitlements conveyed by the schemes are reflected in the core accounts. Given the different institutional arrangements in different countries, the updated SNA will permit recording only some of those pension entitlements in the core accounts. However, it will be a requirement that the rationale and criteria be provided to explain the distinction between those schemes whose entitlements are carried forward to the core accounts and those for which they are recorded only in the new standard table.

24. On five issues, however, there was significantly less than unanimous support, and that situation called for especially careful consideration by the Intersecretariat Working Group of the extent of the disagreement, the reasons for the disagreement and the possibility that further consultation might lead to some resolution. For those issues, the description and recommendation of the Advisory Expert Group, the comments received — in favour and in disagreement — during the consultation period, and the issue-specific considerations of the Advisory Expert Group are set out below to facilitate their consideration by the Statistical Commission.

Research and development (issue 9)

25. *Description and recommendation of the Advisory Expert Group*: The 1993 SNA does not recognize research and experimental development as capital formation, despite the fact that it is thought to be a major contributor to future economic growth. Were the SNA to be changed, consideration is required of whether all expenditure on research and development, or only some, should be recorded as capital formation. To overcome all the practical difficulties of deriving satisfactory estimates, the possibilities of using expenditure data collected in accordance with the *Frascati Manual 2002: Proposed Standard Practice for Surveys on Research and Experimental Development*, and obtaining appropriate deflators and service lives, need to be assessed.

26. The recommendation is that research and development should be treated as capital formation and the value should be determined in terms of the economic

benefits it is expected to provide in the future (including the provision of public services in the case of research and development acquired by Governments). In principle, research and development that does not provide an economic benefit to its owner does not constitute a fixed asset and should be treated as intermediate consumption. Unless the market value of the research and development is observed directly, it may be valued at the sum of costs, including the cost of unsuccessful research and development.

27. *Consultation on the recommendation*: A substantial majority of countries expressed support for the recommendation on the capitalization of research and development. The view was expressed that implementation of the recommendation would improve studies of growth and productivity. While a number of countries expressed their agreement with the principle, they also expressed concerns about one or more aspects. In their comments, some countries noted the difficulty of distinguishing those research and development expenditures that should not be capitalized because ownership is not established or future returns could not be identified. Others voiced reservations regarding the practical implementation of the recommendation, including the difficulty of working with accounting and survey-based data. Several suggested the need for detailed guidance.

28. Those who expressed disagreement with the recommendation did so on both conceptual and practical grounds (besides objecting to inclusion of the issue on the agreed list). A few comments state that expenditures are a poor proxy for the benefits brought by research and development, and several mention practical problems such as determining service lives and/or identifying appropriate price indices of the research and development assets. Those countries that stressed the need for compilation experience seem to suggest that a delayed implementation was a way towards eventually including research and development expenditure within the asset boundary of the System.

29. *Considerations of the Intersecretariat Working Group*: The country comments indicate that there is substantial support for the principle of capitalizing research and development in the SNA. There are some concerns, however, about specific aspects. Those include scope, service lives and price indices for research and development assets. Subsequent to the provisional recommendation, there were further consultations about scope (centring on what is known as freely available research and development), and those led to the recommendation in the *Consolidated Recommendations*. Further, some regional meetings continued to discuss this issue.

30. The Intersecretariat Working Group is confident that the combination of countries' experience and ongoing research (as represented, for example, by the papers presented at the October 2006 meeting of the OECD Working Party on National Accounts), further collaboration between the Canberra II Group and the research and development survey statisticians and further consultations by the United Nations Statistics Division with the corporate sector, academic and international accounting community can resolve the problems in the future. Thus, the Intersecretariat Working Group puts forward the following wording designed to adopt the principle of treating research and development expenditure as fixed capital formation and to encourage focused work to implement the principle in a sound and internationally comparable way:

In principle, research and development expenditure should be recognized as part of capital formation. However, there are a number of difficulties to be overcome before the objective can be reached. Satellite accounts will provide a useful way of working towards solutions that give the appropriate level of confidence in the resulting measures and practical guidance on implementation will help to ensure international comparability. Therefore, the *1993 SNA, Rev.1* will describe the objective and its conceptual underpinnings, note the difficulties and provide links to work underway to overcome them and recognize that for many countries implementation will take some time. The Intersecretariat Working Group will report periodically to the Statistical Commission on progress and signal when widely accepted implementation guidelines are available.

Cost of capital services (issue 15)

31. *Description and recommendation of the Advisory Expert Group*: Capital services provided by non-financial assets to the production process are not explicitly mentioned in the 1993 SNA. The OECD manual entitled *Measuring Capital: Measurement of Capital Stocks, Consumption of Fixed Capital and Capital Services*, published in 2001, defines capital services as inputs that flow to production from a capital asset. They may be estimated as the sum of consumption of fixed capital, expected real holding gains/losses and a return to capital, similar in value to the cost of interest on the remaining value of the asset. The rental paid by the user of a rented non-financial asset to the owner covers both the costs incurred by the owner in providing the rental service and the capital services rendered by the asset to the owner. For non-financial assets used by the owner, capital services appear implicitly as part of the gross operating surplus.

32. The recommendation begins by noting that capital services for assets used in market production are implicitly included within the 1993 SNA but are not separately identified. Given the importance of identifying them for productivity measurement and other analysis, a new chapter will be added to the *1993 SNA, Rev.1* explaining the role and appearance of capital services in the system and stressing the desirability of calculating capital services, capital stock and consumption of fixed capital in an integrated and consistent manner. No changes will be made to standard entries in the accounts to show capital services but an explanation will be provided of how supplementary items or tables could be derived and presented.

33. *Consultation on the recommendation*: Overall, there was substantial support for the recommendation; disagreement was limited to only a few countries. However, a number of comments were hard to interpret. Some stressed that the estimates of capital services should be optional, voluntary or presented only in satellite accounts, and it is not clear that the intent of the recommendation to treat them as optional was understood.

34. Of the few countries that disagreed, some mentioned (besides objecting to inclusion of the issue on the agreed list) the negative effect on international comparability of the somewhat arbitrary choice of a rate of return.

35. *Considerations of the Intersecretariat Working Group*: The Intersecretariat Working Group notes the almost unanimous support for the recommendation on cost of capital when it is understood, as intended, that the identification of the cost of

capital for market producers is not called for in the core accounts and that it is voluntary within the recommended supplementary accounts. The Intersecretariat Working Group thus puts forward for adoption the recommendation incorporated in the *Consolidated Recommendations*.

Government and other non-market producers: cost of capital of own assets (issue 16)

36. *Description and recommendation of the Advisory Expert Group*: When summing costs to measure non-market output, the 1993 SNA recommends that the value of the services provided by a producer's own non-financial assets should be measured as consumption of fixed capital. Neither a return to capital on these assets or, equivalently, an opportunity cost of capital is recognized. That gives rise to an inconsistency between the costs of owned and rented assets to the non-market producer.

37. The Advisory Expert Group recommended, after extensive discussion at three of its meetings, that a return to fixed capital owned and used by government and other non-market producers be included in the estimation of output in addition to consumption of fixed capital. The restriction to fixed capital is a compromise with a view to practical implementation. For the rate of return, the expected real rate on government bonds is recommended, supplemented if necessary by other indicators of the cost of borrowing by government.

38. *Consultation on the recommendation*: Comments after the early Advisory Expert Group discussions led to the specification in the recommendation of the scope of the assets (fixed assets) and a rate of return to be used (expected real rate on government long-term bonds). The more recent comments showed that more countries are comfortable with the recommendation. Agreement came from a wide range of countries. Several comments noted the consistency with the market sector that would come about as a result of implementing the recommendation and that users' analytical needs would be met. Some, from both large and small countries, reported that they could produce estimates of capital services of a reasonable quality. A number of comments were in favour of the recommendation in principle, but were concerned about implementation, some indicating the kind of guidance that they would like to see provided in manuals.

39. Disagreement with the recommendation also came from a range of countries but was concentrated in Europe. Some disagreement was on conceptual and some on practical grounds. Some comments were lengthy and detailed; the following points were common to several sets of comments: market and non-market production are different and the difference should be reflected in the method of measuring output; implementation would lead to more estimates based on modelling rather than observation, and that should be avoided; for many countries, the required estimates of capital stock are not well developed, so even estimation of consumption of fixed capital is difficult; and identifying appropriate rates of return is problematic and would lead to additional non-comparability among countries.

40. *Considerations of the Intersecretariat Working Group*: The Intersecretariat Working Group has taken note of the views expressed in the course of the last year on the issue, which has engaged theorists, users and national accounting practitioners over several decades. The issue is complex and the discussion evolved as the complexities were set out in the Advisory Expert Group's meetings during the

update's issue-oriented phase. Since then, the process of stepping back to review the set of recommendations as a whole has focused attention on the consistency of the treatment of financial and non-financial assets. The review has brought an added dimension. To bring this consistency dimension to the Advisory Expert Group for its consideration and to get its advice in light of the differences of view as expressed in the country comments on the Advisory Expert Group recommendation, the Intersecretariat Working Group is undertaking an electronic consultation among the Advisory Expert Group members. The consultation will be the basis of further Intersecretariat Working Group consideration of the way forward, which will be presented in a conference room paper to be prepared as a supplement to the Intersecretariat Working Group's report to the Statistical Commission.

Military expenditures (issue 19)

41. *Description and recommendation of the Advisory Expert Group*: In the 1993 SNA, offensive weapons and their means of delivery are excluded from capital formation regardless of the length of their life. That treatment implies that military assets provide defence services only and entirely in the period of acquisition. Further, weapons whose expense has been expressed as intermediate consumption, according to the present treatment, can be sold or exported in another accounting period, calling for counter-intuitive entries in the accounts for government.

42. The recommendation is that all military expenditure that meets general SNA criteria for capital formation — that is, being used in production over a period in excess of one year — will be treated as capital formation. Weapon systems and military inventories would be distinguished within fixed capital formation and inventories, respectively.

43. *Consultation on the recommendation*: Some comments noted the difficulty of implementing the 1993 SNA treatment, which calls for distinguishing military equipment that can be put to civilian use. Several comments favoured the recommendation because it would bring national accounts into line with the way Governments recorded military expenditure (which, in turn, was in line with international public sector accounting standards). In a similar vein, it was noted that the recommendation eliminates an inconsistency in the 1993 SNA in that not all assets are included that contribute to the delivery of defence services.

44. Of the comments disagreeing with the recommendation, a number expressed concern about the lack of data given the confidential nature in many countries of information on military expenditures. If some countries had the necessary data to make estimates and others did not, international comparability would be undermined. Other comments were conceptual, elaborating on the argument that expenditure for defence purposes does not generate production of services.

45. *Considerations of the Intersecretariat Working Group*: The Intersecretariat Working Group considers that the accounting principles underlying this recommendation are important. The lack of data in some countries is indeed a concern but the recommendation that weapons systems should be considered capital assets in international public accounting standards should be recognized. To the extent that the problem is that data are not available, this is a deficiency in the measurement of government output, whether the weapons are treated as intermediate consumption or capital formation. Since the first publication of the SNA in the late 1950s, changing political circumstances have led to the recognition that capital

expenditures on offensive weapons render services by their existence rather than only by their use. The Intersecretariat Working Group acknowledges that the views on the recommendation differ. However, it considers that the recommendation included in the *Consolidated Recommendations* should be adopted to maintain the analytical relevance of the SNA in a changing global security environment.

Goods for processing (issue 40)

46. *Description and recommendation of the Advisory Expert Group*: Both the 1993 SNA and the *Balance of Payments Manual* treat goods that are sent abroad for processing and then returned to the country from where they were dispatched as undergoing an effective change of ownership. The goods are therefore recorded in exports and imports when they leave the first country and again when they return to it. The country undertaking the processing is shown as producing goods that are recorded at their full value, even though the processor never has to pay for the value of the goods on entry. With the increasing importance of offshore processing, such treatment is increasingly questionable. It is further complicated by a different recommendation for goods being processed in one country for a second which, instead of being returned to the second country, are sold (on behalf of the owner in the second country) to a third country.

47. The recommendation is that imports and exports should be recorded on a strict change of ownership basis. That is, goods being processed in one country on behalf of another would no longer be part of imports and exports in the balance of payments and SNA. That would be a change from the 1993 SNA. The consequences affect the recording of transactions within the national economy as well as international transactions. The decision to record on a pure change of ownership basis implies that no transactions will be recorded for intra-enterprise (inter-establishment) deliveries when goods are passed from one country to another for processing and then returned. That has implications for the input-output tables, which on the proposed basis will reflect what each unit contributes to the production process rather than the physical technology, as previously was the case. This recommendation recognizes that many goods move from one country to another without entailing a consequential payment from the recipient country to the sending country. The recommendations have implications for the way in which the physical movement of goods, captured in merchandise trade statistics, is reconciled with the international flows to be recorded in the balance of payments and the SNA. The IMF Committee on Balance of Payments Statistics was in favour of the recommendation.

48. *Consultation on the recommendation*: Comments were received in two rounds of global consultations, following the discussion of the issue at two meetings of the Advisory Expert Group. A substantial number of countries supported the recommendation but few gave their reasons why. Harmonization with the balance of payments treatment was mentioned, as was a preference for following the change of ownership principle. However, comments noted practical problems in determining changes in ownership of the goods. Several comments indicated the need for guidance in identifying and recording such goods in international merchandise trade.

49. Disagreement with the recommendation is spread across regions. Several comments are concerned by the difficulty of matching the transformed goods on exit

with the goods as they return to ensure the correct adjustments are made to merchandise trade figures. Some countries would prefer to continue to impute change of ownership. One other mentioned disruption in the historical time series of input-output tables with the change of principle of recording.

50. *Considerations of the Intersecretariat Working Group*: The Intersecretariat Working Group recognizes that the recommendation affects the balance of payments and input-output accounts as well as national accounts, but sees it as an important step towards recording that will shed light on a kind of transaction that is increasingly important in a globalized economy. Guidance on issues of data collection and reconciliation with data sets that are useful in their own right will be a key. In that light, the Intersecretariat Working Group considers that the recommendation should be adopted.

D. Summary of the considerations of the Intersecretariat Working Group on National Accounts

51. In addition to the issue-specific considerations noted above, the Intersecretariat Working Group took into consideration several general, interrelated factors expected to affect the reception that may be accorded the recommendations for the update of the 1993 SNA. One factor is that national statistical offices and other statistical units that prepare national accounts often face budget constraints and increasing demands that require careful scrutiny of proposals that are a drain on resources. Another factor is that one of the demands is for international comparability of statistics, which, certainly in some parts of the world, has become a driving force. Yet another factor is the greater awareness of several elements related to implementation. One element is the awareness of the need for practical and sometimes even detailed guidance on implementation to supplement the SNA's general framework of the SNA. Reference is sometimes made to the different ways in which the recommendation to capitalize software was implemented in the 1990s and the effect that those differences had on the international comparability of certain key aggregates. Another element is the awareness of the different potential implementation schedules in different parts of the world, as is evident from a survey conducted by OECD.

52. The Intersecretariat Working Group carefully reviewed the country comments. It reached the conclusion that the set of recommendations it is bringing to the Statistical Commission is crucial to maintaining the relevance of the SNA for analysis and for policy formulation and monitoring. The Intersecretariat Working Group had been aware of the importance of guidance on implementation, and the comments from countries on the provisional recommendations firmly underlined that. The Intersecretariat Working Group is committed to providing that guidance; indeed, some work is already under way, for example in exploring what kinds of manuals may be needed to support SNA implementation. Further, the Intersecretariat Working Group confirms its intent to bring a strategy for implementation to the thirty-ninth session of the Commission, when the draft *1993 SNA, Rev.1* will be proposed for adoption by the Commission.

53. Thus, the Intersecretariat Working Group asks the Commission to adopt the recommendations as set out in the background document entitled *The Full Set of*

Consolidated Recommendations with the additional considerations on five issues described in section III.C, summarized as follows:

(a) **Research and development**: The Intersecretariat Working Group proposes adoption of the principle of treating research and development expenditure as fixed capital formation and the encouragement of focused work to implement that principle in a sound and internationally comparable way. The Intersecretariat Working Group will report periodically to the Statistical Commission on progress and indicate when widely accepted implementation guidelines are available;

(b) **Cost of capital services**: The Intersecretariat Working Group proposes for adoption the recommendation incorporated in the *Consolidated Recommendations* with the understanding that the identification of the cost of capital for market producers is voluntary within the recommended supplementary accounts;

(c) **Government and other non-market producers: cost of capital of own assets**: The Intersecretariat Working Group is undertaking electronic consultation among members of the Advisory Expert Group that will be the basis of further consideration by the Intersecretariat Working Group of the recommendation to be provided to the Commission in a separate conference room paper as an addendum to the present report;

(d) **Military expenditure**: The Intersecretariat Working Group considers the accounting principles underlying the recommendation to be important and the recommendation in the *Consolidated Recommendations* should be adopted to maintain the analytical relevance of the SNA in a changing global security environment;

(e) **Goods for processing**: The Intersecretariat Working Group sees the recommendation in the *Consolidated Recommendations* as an important step towards recording a kind of transaction that is increasingly significant in a globalized economy and considers that the recommendation should be adopted.

IV. Points for discussion

54. **The Commission is requested to:**

(a) **Comment on the progress in the update of the 1993 SNA and the workplan for the completion of the draft *1993 SNA, Rev.1*;**

(b) **Adopt the recommendations contained in *The Full Set of Consolidated Recommendations* with the considerations of the Intersecretariat Working Group on the recommendations on five issues elaborated in section III.C and summarized in section III.D of the present report and provided in a separate conference room paper as an addendum to the present report.**

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Items for discussion and decision

Integrated economic statistics

Report of the Secretary-General

Summary

The present report was prepared at the request of the Statistical Commission at its thirty-seventh session.[a] It contains an update on the work initiated by the Friends of the Chair in the area of integrated economic statistics and an inventory of groups engaged in the field of economic statistics (see annex). The Commission may wish to take note of the report.

[a] See *Official Records of the Economic and Social Council, 2006, Supplement No. 4* (E/2006/24), chap. I, para. 2.

* E/CN.3/2007/1.

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I. Introduction

1. At its thirty-seventh session, the Statistical Commission recommended the establishment of Friends of the Chair, consisting of Member States and international organizations, to prepare a concept paper on the modalities of the integrated approach to economic statistics. Such a concept paper should reflect the modalities for both national and international statistical systems in the domain of economic statistics. In terms of national statistical systems, the concept paper should bring together and evaluate existing country approaches. In the international context, the review should assess the work programme of existing work groups established by international and regional agencies and their coordination mechanisms.

2. The present note informs the Commission about the creation of the Friends of the Chair and the initial stage of its functioning. A report of the Friends of the Chair on integrated economic statistics will be prepared for the thirty-ninth session of the Statistical Commission.

II. Establishment of the Friends of the Chair

A. Composition of the Friends of the Chair

3. The Friends of the Chair on integrated economic statistics has been created and its membership includes representatives of the national statistical offices of 11 countries (Australia, Canada, China, India, Mexico, Netherlands, New Zealand, Pakistan, South Africa, Switzerland and United States of America) and four international organizations (European Central Bank, Statistical Office of the European Communities, International Monetary Fund and Organization for Economic Cooperation and Development). Adelheid Bürgi-Schmelz, the Director General of the Swiss Federal Statistical Office, agreed to serve as moderator of the Friends of the Chair.

B. Work in progress

4. The Friends of the Chair is at an early stage of its work, cognizant that this important step by the international community should be taken in conjunction with other elements of the international work programme, such as the revision of the *System of National Accounts, 1993* and consultations among its members on the direction of work started in 2006. The group is in the process of formulating well defined deliverables and related specific activities to be undertaken in 2007 that will help to develop a concept paper on the modalities of the integrated approach to economic statistics. The outcome of the work will be included in the report of the Friends of the Chair to be submitted to the Statistical Commission at its thirty-ninth session.

5. As an initial step, the Friends of the Chair focused on the need to gain sufficient knowledge about the subject matter and level of coordination among international organizations and work groups involved in economic statistics with the understanding that a proliferation of committees and work groups should be avoided. To this end, existing groups actively engaged in various areas of economic statistics, their activities, outputs and the support given to coordination with

international organizations, have been identified and are listed in the annex. An evaluation of that information should reveal if there are gaps or overlaps in the functions of groups and help to determine what improvements are needed to ensure that all domains of economic statistics are covered. Such findings, together with the views and experience of national statistical offices and international organizations on the conceptual underpinnings and feasibility of an integrated approach to economic statistics are expected to contribute, through further activities of the Friends of the Chair, to the development of the concept paper on the integrated approach to economic statistics.

6. Under the leadership of the moderator, the Friends of the Chair is actively engaged in determining key issues on which the project should focus. A communication framework has been set up and members are in contact to adopt a programme of work and reach agreement on a timeline for the work ahead. Several members have offered their views on the content of the concept paper or commented on proposals by other members. In the ongoing exchange of views, members expressed their strong commitment to move the project forward to prepare the concept paper as requested by the Statistical Commission.

Annex

Inventory of groups engaged in the field of economic statistics

A. Expert groups

Objective/date of creation/website	*Membership*	*Product/output/main achievements*
Expert Group on the Measurement of Non-Financial Assets (Canberra II)		
Established in 2003 to undertake work on the research agenda established by the original Expert Group on Capital Stock Statistics (Canberra I) and to research issues associated with the measurement of non-financial assets as part of the process of updating the 1993 SNA. http://unstats.un.org/unsd/methods/citygroup/non-financial-assets.htm.	Representatives from 14 countries, six international organizations and individual expert advisers.	Contributions to the methodological recommendations that feed into the process of updating the 1993 SNA on various asset-related issues. Numerous papers written and expert comments provided.
Delhi Group on Informal Sector Statistics		
Established in 1997 as an international forum to exchange experience in the measurement of the informal sector and in the concept of informal employment, to document data-collection practices, including the definitions and survey methodologies used by member countries and to recommend measures to improve the quality and comparability of informal sector statistics. http://www.mospi.nic.in/mospi_informal_sector.htm.	Experts from 24 national statistical offices, five international organizations and eight academic institutions.	Contributions to the development of standards for the concept and measurement of the informal sector that would be acceptable to most stakeholders. The group has produced papers for its annual meetings since 1997 dealing with various aspects of informal sector statistics.
London Group on Environmental Accounting		
Created in 1993 to provide an informed forum for practitioners to share experience of developing and implementing environmental satellite accounts linked to the economic accounts of the System of National Accounts; to play a leadership role in defining international best practices in the theory and practice of environmental accounting within the framework of the System of National Accounts; to provide a forum for the sharing of national and international expertise in this field; and to encourage the adoption of best practices in the field. http://www4.statcan.ca/citygrp/london/london.htm.	Representatives from 20 national statistical offices and four international organizations.	Played a leadership role in developing definitions and international recommendations of environmental accounting in consistency with the framework of the System of National Accounts; contributed to the development of the SEEA Handbook.

Objective/date of creation/website	*Membership*	*Product/output/main achievements*
Ottawa Group on Price Indexes		
Set up in 1994, the Group provides a forum for specialists and practitioners to exchange experiences and thoughts on problems of measuring price change. The main focus of the Group is on applied research in the area of consumer price indexes. The proceedings from the sessions are published and disseminated. The Group may also assemble and publish compendiums of materials related to specific topics of price statistics. http://www.ottawagroup.org/.	Experts from more than 26 countries and five international organizations. Specialists actively involved in the application of the principles relating to the topics under discussion are invited to the Group's meetings.	Participating experts shared their experience and the outcome of their research on crucial problems of measuring price change, contributing to the spreading of progressive methods in price indexes from countries with more advanced methodology and practice to others.
Paris Group on Labour and Compensation		
Created in 1997 to examine, assess and reconcile the various sources of information used to measure labour market conditions and compensation, particularly in the context of the deregulation of labour markets and structural unemployment, and to help to improve concepts and their implementation as well as the construction of new indicators. Its broad area of interest is labour and compensation. Since 2002, activities of the Group have been coordinated by a bureau consisting of representatives from two international organizations (OECD and Eurostat) and from four national statistical institutes (France-INSEE, United Kingdom-ONS, Statistics Sweden, Hungarian Central Statistical Office). The secretariat of the bureau is provided by INSEE, OECD and ONS. http://www.insee.fr/en/nom_def_met/colloques/citygroup/citygroup.htm.	Labour statisticians belonging to 23 national statistical offices and three international organizations (OECD, ILO and Eurostat).	Contributed to improving concepts and their implementation as well as the construction of new indicators in labour statistics; most recently provided proposals for the updating of working time measurement in the System of National Accounts, 1993.
Rio Group on Poverty Statistics		
Created in 1995 to study the statistical consequences of the International Conference on Population and Development (Cairo, 1994), the World Summit for Social Development (Copenhagen, 1995) and the Fourth World Conference on Women (Beijing, 1995); to make proposals on the use of statistical information to follow up and monitor the objectives and goals approved at those meetings; to	22 countries, 19 international agencies and other institutions.	Contributed to the development of a handbook on poverty statistics methodology and measurement. The Group finalized a compendium of best practices on poverty measurement in 2005, available on its website.

Objective/date of creation/website	*Membership*	*Product/output/main achievements*
harness the experience and concerns of different groups and organizations in the world that are working on the measurement, interpretation and use of poverty statistics, especially when such work is done by or in close contact with statistical offices. http://www.ibge.gov.br/poverty.		
Round Table on Business Survey Frames Established in 1986, the Round Table on Business Survey Frames is an informal body. Its purpose is to provide a forum where officials from national and international statistical organizations can exchange views and experiences and conduct joint experiments on topics related to the development, maintenance and use of business registers to support survey sampling and other statistical activities related to the production of business statistics. http://forum.europa.eu.int/irc/dsis/businessurvey/info/data/links.htm.	17 countries and three international agencies participated at the 2005 meeting.	Contributed to the development, maintenance and use of business registers to support survey sampling and the production of business statistics through sharing national experience with other countries that have less advanced methodology and practice; thus contributed to the spreading of more advanced methodology and practice in creating business registers and in conducting and organizing business surveys.
Voorburg Group on Service Statistics Established in 1986 as an initiative in response to the observation that service statistics were less developed than statistics in other economic fields although services contributed already over half of the gross domestic product in many countries. Its broad objective is to address issues related to the production of services statistics, including service product outputs and inputs, the estimation of the real product of service activities, price indexes of service products and industries and their implications for product and industry classifications, the Central Product Classification (CPC) and the International Standard Industrial Classification of All Economic Activities (ISIC). The Group's main purpose remains to provide an informal forum for the exchange of views on services statistics. http://www4.statcan.ca/english/voorburg/.	32 countries and six international organizations.	Contributed to the development of product and activity classifications, mainly CPC and ISIC, and provided expert advice for the development of other reference classifications (ISCO and HS). Through its discussions and research, assisted countries and international organizations in the development of guidelines and handbooks in the field of service statistics.

Objective/date of creation/website	*Membership*	*Product/output/main achievements*
Oslo Group on Energy Statistics		
Established in 2005 to address methodological issues related to energy statistics and to contribute to improved international standards and improved methods for official energy statistics by pooling expertise in the energy community. Terms of reference available at: http://unstats.un.org/unsd/methods/citygroup/oslo.htm.	Energy statistics experts from national statistical offices, energy ministries and other authorities, international organizations and academia.	Recently established expert group expected to contribute to improved international standards and improved methods for official energy statistics.

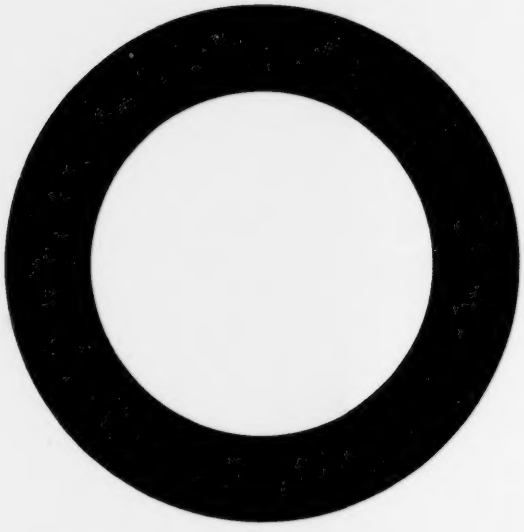
B. Intersecretariat working groups and task forces

Objective/date of creation/website	*Membership*	*Product/output/main achievements*
Intersecretariat Working Group on National Accounts		
Created in 1983 with the original mandate to update and clarify the System of National Accounts, 1968 and harmonize it with other international statistical standards. Coordinates the implementation and methodological development of the System of National Accounts 1993. Its work is supported by the Advisory Expert Group on National Accounts. Plans, organizes and coordinates the updating of the System of National Accounts, 1993. http://unstats.un.org/unsd/nationalaccount/iswgna.htm.	Eurostat, OECD, IMF, UNSD and World Bank.	Maintains a leadership role in the development and implementation of standards globally; published handbooks on national accounting. Continues to provide the coordination of the updating of the System of National Accounts, 1993.
Intersecretariat Working Group on Price Statistics		
Created in 1999 to develop and document best practice guidelines on concepts and methods of price statistics. Specifically, its terms of reference included the revision of the consumer price index manual and the development of the producer price index manual. After that work was completed in 2004, its focus turned to developing a revised export and import price index manual. For that purpose a Technical Expert Group was created, whose	IMF, ILO, Eurostat, OECD, UNECE and World Bank.	Developed the consumer price index manual and the producer price index manual (both published in 2004).

Objective/date of creation/website	Membership	Product/output/main achievements
members are from IMF, Australia-ABS, United Kingdom-ONS, United States-BLS, University of British Columbia and University of California, Davis. http://unstats.un.org/unsd/statcom/doc05/2005-9e.pdf.		
Intersecretariat Working Group on Environment Statistics Established in 2004 to firmly anchor environment statistics as part of official statistics by enhancing, coordinating and harmonizing (a) the development of methodological practices, (b) data collection and dissemination, (c) training and capacity-building programmes, thus improving and strengthening basic environmental data at both the national and international levels. http://unstats.un.org/unsd/environment/coordination.htm.	Organizations with international programmes on environment statistics. The current members are the United Nations Statistics Division, UNECE, UNEP, OECD, FAO and Eurostat.	Contributed to improved official statistics on the environment at both the national and international levels.
Inter-Agency Task Force on International Merchandise Trade Statistics Formed in 1991 at the request of the General Agreement on Tariffs and Trade the objectives of the Task Force are to improve the availability and quality of international merchandise trade statistics, in particular of the United Nations Comtrade database, and to update methodology of international merchandise statistics in view of new developments in world trade and country compilation practices. The work of the Task Force focuses, at present, on the maintenance of a common data set, the preparation of a supplement to the compilers manual on international merchandise trade statistics and reviewing related methodological and technical issues. http://imts.wto.org.	Eurostat, FAO, IMF, ITC, OECD, UNCTAD, UNIDO, UNSD, World Trade Organization and the United Nations regional commissions.	Contributed to improving and updating the methodology of international merchandise trade statistics, in particular through developing and maintaining the United Nations Comtrade database.

Objective/date of creation/website	*Membership*	*Product/output/main achievements*
Inter-Agency Task Force on Finance Statistics		
Established in 1992 and reconvened in 1998 as a mechanism for the development of a more integrated work programme among international organizations in financial statistics; to serve as a forum to address issues pertaining to external debt statistics, to develop guidelines for the compilation and use of external debt statistics and to continue to develop the joint BIS-IMF-OECD-World Bank statistics on external debt; and to coordinate work to improve the methodological soundness, transparency, timeliness and availability of external debt statistics. http://www.imf.org/external/np/sta/ed/ed.htm.	IMF, Bank for International Settlements, the Commonwealth Secretariat, European Central Bank, Eurostat, OECD, UNCTAD, Paris Club secretariat and World Bank.	Developed and published, in 2003, guidelines on the compilation and use of external debt statistics. Supported the preparation of the data quality assessment framework for external debt statistics.
Inter-Agency Task Force on Statistics of International Trade in Services		
Formed in 1994 at the request of the General Agreement on Tariffs and Trade and the United Nations Conference on Trade and Development, the objectives of the Task Force include the development of methodological recommendations for the compilation of international trade in services statistics, focusing on the statistical requirements of the General Agreement on Trade in Services, balance of payments statistics and national accounts. A major objective of the Task Force has been the development of the Manual on Statistics of International Trade in Services. The current work of the Task Force focuses on the promotion of the implementation of the manual, its revision and development of compilation guidance documents. http://unstats.un.org/unsd/tradeserv/taskforce.htm.	Eurostat, IMF, OECD, UNCTAD, UNSD and WTO.	Developed the Manual on Statistics of International Trade in Services published in 2002; continues to promote the implementation of the manual.
Task Force to Establish Standards on Data and Metadata Exchange		
Launched in 2001, the goal of the Statistical Data and Metadata Exchange initiative is to explore common e-standards and ongoing standardization activities that could allow national and international organizations to gain efficiencies and avoid duplication of work by taking advantage of existing and emerging exchange protocols, dissemination formats and e-standards.	The initiative is sponsored by the Bank for International Settlements, the European Central Bank, Eurostat, IMF, OECD, the United Nations and the World Bank.	Contributed to establishing common e-standards that could allow national and international organizations to gain efficiencies and avoid duplication of work.

Objective/date of creation/website	*Membership*	*Product/output/main achievements*
Terms of reference: (a) To minimize the duplication of data and metadata collections; (b) To maximize the coherence of data sets disseminated by various international organizations on the same subject matter; (c) To improve the accessibility and interpretability of statistics disseminated by international organizations; (d) To automate data exchange processes and gain efficiency from the use of up-to-date information and communication technology tools. http://www.sdmx.org/.		
Committee of Experts on Environmental-Economic Accounting		
Created in 2005, its objectives are: (a) to mainstream environmental-economic accounting and related statistics; (b) to elevate the System of Integrated Environmental-Economic Accounting to an international statistical standard; and (c) to advance the implementation of the SEEA in countries. http://unstats.un.org/unsd/envAccounting/ceea/default.asp.	25 countries and international organizations.	Recently created committee expected to contribute to the further development of the environmental accounting framework.
Intersecretariat Working Group on Energy Statistics		
Initiated in 2005 to enhance the coordination of international energy statistics and collaboration by international (global, regional and sectoral) organizations with a view to improving the availability and quality of international energy statistics, without increasing the response burden on countries, while making the best use of resources. Draft terms of reference are available at: http://unstats.un.org/unsd/statcom/doc06/2006-10e-SG-EnergyStats.pdf.	Major producers and users of international energy statistics.	Recently created Intersecretariat Working Group expected to contribute to improving the availability and quality of international energy statistics.



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Committee of Experts on Environmental-Economic Accounting

Note by the Secretary-General

In accordance with the request of the Statistical Commission at its thirty-seventh session,** the Secretary-General has the honour to transmit the report of the Committee of Experts on Environmental-Economic Accounting. The report describes the progress of work of the Committee of Experts; presents the System of Environmental-Economic Accounting for Water (SEEAW) for adoption; and reports on the results of the first phase of the Global Assessment on Environment Statistics and Environmental-Economic Accounting. The Commission is requested to express its views on the progress of work of the Committee of Experts in the area of coordination and promotion and implementation of environmental-economic accounting, to encourage the implementation of SEEAW in countries and to advise on whether to adopt part I of SEEAW as a statistical standard.

* E/CN.3/2007/1.

** See *Official Records of the Economic and Social Council, 2006, Supplement No. 4* (E/2006/24), chap I.B.

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Report of the Committee of Experts on Environmental-Economic Accounting

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I. Introduction

1. At its thirty-seventh session, in March 2006, the Statistical Commission:

(a) Took note of the report of the Secretary-General on environmental accounting (E/CN.3/2006/9) and endorsed the long-term objectives, the programme of work and the governance structure of the Committee of Experts on Environmental-Economic Accounting;

(b) Encouraged the Committee of Experts to establish a website, hosted by the Statistics Division, that would serve as a knowledge-based platform so as to facilitate exchanges of best practices and the use of environmental-economic accounts;

(c) Requested the Committee of Experts to focus on the development and promotion of environmental accounting and to refine its working relationship with the various groups responsible for the development of environmental, energy and related statistics.

2. The present report is organized in three parts. Section II describes the progress of work of the Committee of Experts on Environmental-Economic Accounting, in particular concerning the refinement of working relationship with other groups responsible for the development of environment, energy and related statistics. Section III presents the System of Environmental and Economic Accounting for Water (SEEAW) with the objective of seeking the Statistical Commission's encouragement on its implementation and advising on its adoption as a statistical standard. Section IV presents the results of phase I of the Global Assessment on Environment Statistics and Environmental-Economic Accounting. The points for discussion are contained in paragraph 53 of the present report.

II. Progress of work of the Committee of Experts on Environmental-Economic Accounting

3. At its first meeting, held in New York from 22 to 23 June 2006, the Committee of Experts on Environmental-Economic Accounting discussed its role in the coordination of the activities of various groups active in environmental-economic accounting and related statistics, its strategy in the promotion and implementation of environmental-economic accounts and the revision process of the *Handbook of National Accounting: Integrated Environmental-Economic Accounting 2003*, commonly referred to as SEEA-2003. These topics are discussed in detail below.

A. Coordination

4. The Committee of Experts recognized the need for coordination of those activities that fall within its purview. To this end, in order to identify areas of common interest and the modality of cooperation, the Committee discussed the objectives, work programmes and activities of the various groups, namely the London Group on Environmental Accounting, the Oslo Group on Energy Statistics, the Working Group on Environmental Information and Outlooks of the Organization for Economic Cooperation and Development (OECD), the Working Group on

Statistics for Sustainable Development and the Intersecretariat Working Group on Environment Statistics.

1. London Group on Environmental Accounting

5. The London Group on Environmental Accounting has played over the years a leading role in advancing the methodologies on environmental-economic accounting and in providing a forum for sharing national and international expertise in the field. The most notable accomplishments of the London Group have been its contribution to SEEA-2003 and, more recently, to SEEAW, presented in section III below.

6. Given the expertise of the London Group and its leading role in environmental-economic accounting, the Committee of Experts requested the London Group to consider accepting a significant number of issues in the research agenda for the revision of SEEA-2003 as part of its programme of work. At its last meeting, held from 19 to 21 June 2006 in New York, the London Group discussed its governance structure and its role in the revision process of SEEA-2003 in order to meet the requests called for by the changes in the international statistical environment. At the meeting, it was agreed that the governance structure of the London Group would consist of a Chair, a secretariat and working groups coordinated by various members of the Group. Mark de Haan of Statistics Netherlands was elected as Chair of the London Group by acclamation.

7. In response to the request of the Committee of Experts, the London Group is in the process of agreeing, through an electronic consultation process, on a set of principles for the revision of the System of Integrated Environmental and Economic Accounting (SEEA), which will be submitted to the Committee of Experts for its consideration. One of the recommendations is that the scope of the revision of SEEA-2003 should be kept manageable with regard to the proposed timetable and resource requirements of all parties involved.

8. The next London Group meeting is scheduled to take place in Pretoria, South Africa during the week of 26 to 30 March 2007. It will discuss the main principles of the SEEA-2003 revision, an updated list of issues in the research agenda for the revision and issue papers on selected issues. The expected outcome of this discussion will be a detailed programme of work for the London Group with timelines and deliverables.

2. Oslo Group on Energy Statistics

9. The Oslo Group on Energy Statistics is responsible for contributing to improved international standards and improved methods for official energy statistics. The Group plans to revise the manual *Energy Statistics: definitions, units of measure and conversion factors* issued by the United Nations in 1986. Given the Group's mandate and programme of work, the Committee of Experts considered it essential that the Oslo Group take an active role in the revision of SEEA-2003. In order to avoid duplication of work and ensure full consistency between the energy statistics manuals and revised SEEA-2003, the Committee of Experts expects that the Oslo Group will take the lead in the development of methodologies on energy accounts. As a result, the Committee of Experts requested the Oslo Group to (a) develop a list of issues on energy accounts to be included in the research agenda for the revision of SEEA-2003; and (b) solve those issues on energy accounts that will be included in the research agenda approved by the Committee of Experts.

10. The Committee encouraged the Oslo Group to work in close cooperation with the London Group on Environmental Accounting and, in particular, with its Subgroup on Mineral and Energy Accounts. The Subgroup, chaired by Statistics Denmark, is currently developing a manual on mineral and energy accounts and will address the issues in the research agenda for the SEEA-2003 on the topic. The Subgroup is now focusing its efforts on mineral and energy asset accounts with the expectation that the Oslo Group will take on the chapter and issues on energy flow accounts. The Committee of Experts stressed the importance of coordination between the two groups to ensure that the classifications of flows and stocks be consistent.

3. Organization for Economic Cooperation and Development Working Group on Environmental Information and Outlooks: work on material flow accounts

11. In response to requests by Group of Eight (G8) Heads of State and Government, OECD is currently implementing the OECD Council's recommendation on material flows and resource productivity of April 2004 under the auspices of the OECD Working Group on Environmental Information and Outlooks and in cooperation with the OECD Working Group on Waste Prevention and Recycling. Part of the work consists in developing a guidance document to assist OECD member countries in implementing and using material flow accounts.

12. The Committee of Experts welcomed the work of OECD on material flow accounts. Although the focus of the *Guidance Manual on Measuring Material Flow and Productivity* is more on the policy applications of material flow analysis than on statistical methodology, the Committee of Experts considered it important that the concepts and methods presented in the guidance manual be consistent with the 1993 System of National Accounts and SEEA-2003 concepts. If a need to deviate from these concepts arises, for example, if the territory principle is embraced as opposed to the residence principle used in the national accounts, the changes should be explained and justified. Furthermore, bridge tables linking the suggested approach with SEEA-2003 should be developed.

13. In order to formalize cooperation and ensure consistency between the guidance manual and revised SEEA-2003, the Chair of the Committee of Experts has contacted OECD to ensure a common approach to the development of methodologies and practical guidelines on material flow accounts. The Committee of Experts welcomed the offer of OECD to lead the issues on the research agenda dealing with material flow accounts and encouraged the OECD to work with the London Group on addressing those issues.

4. Intersecretariat Working Group on Environment Statistics

14. The objective of the Intersecretariat Working Group on Environment Statistics is to firmly anchor environment statistics as part of official statistics by improving and strengthening basic environmental data. The Group has focused its activities on water statistics and, as a result of the Work Session on Water Statistics, held in Vienna from 20 to 22 June 2005, has established a subgroup with the objective of harmonizing terms and definitions on water used in the data collection activities of the Statistics Division of the United Nations Environment Programme (UNEP), OECD/Eurostat and the Food and Agriculture Organization of the United Nations (FAO) questionnaires and aligning them with those in SEEAW. The subgroup is

expected to analyse differences and similarities in terms and definitions and reach a consensus.

5. Joint Working Group on Statistics for Sustainable Development

15. The Working Group is a joint working group of OECD and the Conference of European Statisticians of the United Nations Economic Commission for Europe with the objective of identifying good concepts and practices in order to assist national Governments and international organizations in the design of sustainable development indicator sets and in the development of official statistics in the area. Since SEEA-2003 is a framework that can be used for the measurement of sustainable development and for the development of sustainable development indicators, the Committee of Experts considered the objectives of the Working Group relevant to the revision of SEEA-2003 and requested the Working Group to update the Committee on the progress of its activities.

B. Promotion and implementation

16. The Committee of Experts recognizes the importance of promoting the implementation of SEEA in countries and of familiarizing and educating the users and producers of statistics from various communities on the applications of environmental-economic accounting. During the past year, the Committee has focused its efforts on (a) the development of a website that is a knowledge-based platform on environmental-economic accounting; (b) the launching of a global assessment on environment statistics and environmental-economic accounting; and (c) the organization of international conferences bringing together users and producers of statistics from different communities.

1. Website of the Committee of Experts

17. The website of the Committee of Experts[1] contains (a) papers and presentations discussed during the Committee meetings and the minutes of the meetings; (b) links to the websites of the various groups working on environmental-economic accounting and related statistics; (c) papers, presentations and reports of international conferences organized to promote environmental-economic accounts and its implementation; and (d) a searchable archive of publications on environmental-economic accounts.

18. The searchable web archive has recently been launched. It includes methodological publications and case studies on environmental-economic accounts, classified according to publisher, type of accounts (such as physical and hybrid flow accounts and asset accounts) and natural resources (such as water, forest, fish, mineral and energy and land).

19. The Committee of Experts recognizes that the website is a useful tool for disseminating environmental-economic accounts and it is expected that the website will be further developed to increasingly become a knowledge-based platform.

[1] The address of the Committee of Experts website is http://unstats.un.org/unsd/envaccounting/ceea/default.asp.

2. Global Assessment on Environment Statistics and Environmental-Economic Accounting

20. To assist the Committee of Experts in developing a strategy for promoting the implementation of SEEA while taking into consideration the availability of environment statistics in countries, a Global Assessment on Environment Statistics and Environmental-Economic Accounting was launched under the auspices of the Committee. The Global Assessment mapped the current status of national implementation of environment statistics and environmental-economic accounting programmes in countries, provided an indication of impeding factors in the development of environment statistics and environmental-economic accounting and gave an indication of country priorities in their further development. The results of the assessment are presented in section IV of the present report.

3. International conferences

21. Two international conferences bringing together users and producers of environmental accounts and statistics from various communities were organized in 2006. The results of these conferences are briefly presented below.

(a) User-producer Conference: Water Accounting for Integrated Water Resource Management

22. The Conference was organized by the Statistics Division under the auspices of the Committee of Experts and hosted by Statistics Netherlands in Voorburg, the Netherlands, from 22 to 24 May 2006. The Conference, which gathered major users and producers of water information, raised awareness among the users and producers of water information of SEEAW as the hydrological-economic information system in support of integrated water resource management. The Conference identified policy questions and discussed how the water accounting framework would meet those needs.

23. The Conference endorsed SEEAW and recognized that it provides the much-needed conceptual framework for organizing hydrological and economic information in support of integrated water resource management. It recommended the adoption of SEEAW as the international standard for water statistics. This would provide momentum for its implementation by countries. As a result of the outcome of the Conference, the Committee of Experts considered the recommendation of the Conference and is asking the Statistical Commission to encourage the compilation of SEEAW in countries and to advise on whether to adopt SEEAW as a statistical standard subject to a possible re-evaluation taking into account consistency with the content and format of the revised SEEA-2003 (see also section III of the present report).

24. The Conference agreed to the creation of a Round Table on Water Accounting under the auspices of the Committee of Experts to follow up on the recommendations of the Conference. The Round Table objectives are (a) to promote SEEAW for the assessment and monitoring of hydrological-economic information in support of integrated water resource management; and (b) to advance the implementation and use of SEEAW in countries. The first meeting of the Round Table is expected to take place in the first quarter of 2007.

25. One of the outcomes of the User-Producer Conference was that the Chair of the Committee of Experts and the Statistics Division, as the main author of SEEAW, were invited to present the water accounting framework at the meeting of the UN-Water monitoring session in Stockholm on 21 August 2006. As a result, UN-Water is considering adopting SEEAW as the information system for the monitoring and assessment of hydrological-economic information in support of integrated water resource management.

(b) International Workshop on Ecosystem and Natural Capital Accounting

26. The Workshop, jointly organized by the European Environment Agency (EEA) and the Statistics Division, in Copenhagen, on 30 November and 1 December 2006, reviewed developments in ecosystem and natural capital accounting based on the conceptual framework of the Millennium Ecosystem Assessment, provided a forum to share experience with experts and stakeholders from different communities and explored synergies.

27. The Workshop welcomed the efforts of EEA to implement a Millennium Ecosystem Assessment for Europe by 2012 using SEEA, by bringing together information from different sources including from space earth observation programmes and monitoring networks. It identified methodological issues that need to be resolved in order to advance the research agenda and which will serve as useful input in the revision of SEEA-2003.

28. The Workshop considered SEEA as the necessary framework for measuring the interaction between the economy and the environment and a useful tool for monitoring the ecosystem services and the threats that ecosystems face as well as the possible consequences for economic development and well-being. SEEA was thus recognized as a valuable tool in support of the Millennium Ecosystem Assessment.

C. Revision of SEEA-2003

29. The Committee of Experts discussed the programme of work of various groups working in environmental-economic accounting and related statistics and identified synergies and areas of cooperation with the various groups. It is currently in the process of formalizing cooperation with the various groups, in particular concerning their contribution to the revision of SEEA-2003.

30. Upon request from the Committee of Experts, the Chair and secretariat are developing a project management framework that will delineate the role and responsibilities of the various groups involved in the SEEA-2003 revision process, the scope of the SEEA revision and the governance structure of the project.

31. The Committee of Experts agreed to appoint an Editor who would draft the revised SEEA on the basis of the text of SEEA-2003 and of the issue and outcome papers prepared by the various technical groups.

III. System of Environmental-Economic Accounting for Water

32. The System of Environmental and Economic Accounting for Water has been prepared by the Statistics Division in collaboration with the London Group on Environmental Accounting, in particular with its Subgroup on Water Accounting.

33. The preparation of SEEA-2003 provided an opportunity and a challenge to develop methodologies for water accounts. Although country experiences in water accounts at the time of writing SEEA-2003 were limited, commonalities in the approaches to compiling water accounts emerged. The section on water accounts in chapter 8 of SEEA-2003 is the first attempt to develop harmonized methodologies for water accounts.

34. Given the increasing policy relevance of water in the national and international agenda and country demands for guidance on the compilation of water accounts, the Statistics Division took on the task of advancing the methodology and obtaining a consensus on a standard approach to water accounts, building on the results already achieved during the preparation of SEEA-2003.

35. The Eurostat Task Force on Water Accounting provided considerable inputs to the development of harmonized concepts, definitions and classifications as well as a set of standard tables. The Subgroup on Water Accounting of the London Group, which was established at the 8th London Group meeting, held in Rome from 5 to 7 November 2003, contributed text and country examples, reviewed the various versions of the draft manuscript and assisted in the finalization of the document. The Subgroup comprises 20 experts from countries, academia and international organizations.

36. Draft chapters were discussed at several meetings, including the 8th and 9th London Group meetings in Rome in 2003 and Copenhagen in 2004. A final draft was discussed and reviewed during a meeting of the Subgroup held in New York from 11 to 13 May 2005. During this meeting, the Subgroup agreed to include in the manuscript a set of standard tables for the compilation of water accounts, which countries are encouraged to compile. The status of the preparation and the final draft of SEEAW were presented at the preliminary meeting of the United Nations Committee of Experts on Environmental-Economic Accounting, held in New York from 29 to 31 August 2005.

37. The revised final draft was presented at the User-Producer Conference, organized by the Statistics Division under the auspices of the Committee of Experts. The Conference, gathering the major users and producers of water information, endorsed SEEAW and recognized that it provides the much-needed conceptual framework for organizing hydrological and economic information in support of integrated water resource management. The Conference recommended its adoption as the international standard for water statistics by the Statistical Commission upon recommendation by the Committee of Experts.

38. Multiple information systems have been developed by the users' community to respond to ad hoc policy needs and have resulted in inconsistent information, which, in turn, has resulted in inconsistent indicators over time. The users' community valued the fact that SEEAW was developed by the statistical community, thus bringing a rigorous approach to the measurement of the interaction between the economy and the hydrological system, an important component of integrated water

resource management. The reasons for submitting SEEAW for adoption by the Statistical Commission at this time are twofold. First, the users' community has clearly expressed the needs for an agreed framework for measuring the interaction between the economy and the hydrological system. Second, adopting SEEAW would give enormous impetus to the implementation of water accounts and harmonization of data collection activities with concepts and definitions presented in SEEAW.

39. In light of the recommendations of the User-Producer Conference and the discussion during the first meeting of the Committee of Experts, held in New York on 22 and 23 June 2006, SEEAW has been revised to conform to the content and style of an international statistical standard and a fictitious dataset has been developed to populate the standard tables. SEEAW includes two parts: the first part includes agreed concepts, definitions, classifications and standard tables on physical and hybrid supply and use tables and asset accounts (chapters 1 to 6). The second part consists of those accounts that are still experimental but highly policy-relevant (chapters 7 to 9). This includes the quality accounts, the economic valuation of water beyond the 1993 System of National Accounts and examples on applications of SEEAW. Part II falls in the category of best practices.

40. A formal consultation process, held during November and December 2006, resulted in a majority view that part I of SEEAW is in principle mature enough to wear the quality label of "international statistical standard".[2] A limited number of members of the Committee advised against the adoption of SEEAW as a statistical standard at this stage for the following two reasons. It was not considered appropriate (a) to adopt as a statistical standard a subject-specific module of SEEA before the revision of SEEA-2003 is completed; and (b) to adopt one part of a manuscript as a statistical standard, with the manuscript consisting of two parts, one part containing agreed concepts, definitions, classifications and standard tables and the other containing best practices. In view of the above considerations, the Statistical Commission is invited to encourage the implementation of SEEAW in countries and to advise on whether to adopt SEEAW as a statistical standard, subject to a possible re-evaluation, taking into account the consistency in style and content of the revised SEEA-2003.

IV. Global Assessment on Environment Statistics and Environmental-Economic Accounting: results of phase I

41. As indicated in paragraph 20 above, the Global Assessment on Environment Statistics and Environmental-Economic Accounting was undertaken by the Statistics Division under the auspices of the Committee of Experts, in collaboration with the Intersecretariat Working Group on Environment Statistics.

42. The Global Assessment is carried out in two phases, in order not to overburden the respondents. Phase I of the Global Assessment covers general information on the

[2] The term "international statistical standard" implies an agreement on a framework of definitions, classifications, accounts and tables to be compiled at the global level (minutes of the preliminary meeting of the Committee of Experts on Environmental-Economic Accounting, New York, 29 to 31 August 2005).

programmes of environment statistics and environmental-economic accounting.[3] It includes questions on the institutional set-up, subject areas, constraints encountered in the development and implementation of the programmes and countries' future plans. The questionnaire of phase I of the Global Assessment is posted on the Committee of Experts' website.[4] Phase II of the Global Assessment will consist of follow-up questionnaires focusing on specific subject areas that have been identified in phase I. The questionnaires will be dispatched during the first half of 2007 only to those countries that have indicated the existence of activities in the specific subject area.

43. Phase I of the Global Assessment was dispatched on 16 October 2006 to 192 national statistical offices of member countries and 11 central banks (for those countries in which the national accounts programmes are carried out by central banks). As at 11 December 2006, about half of the countries had responded to the Assessment. A list of those countries is reported in the annex to the present report. The present report presents the main conclusion of phase I of the assessment, on the basis of the responses received. A detailed and complete analysis covering responses that will be received between 12 December 2006 and the end of January 2007 will be presented in a document at the thirty-eighth session of the Statistical Commission in February 2007. The main findings of the assessment can be summarized under the following headings: (a) institutional infrastructure; (b) scope of the programmes; and (c) impeding factors for the development and compilation of environment statistics and environmental-economic accounting.

A. Institutional infrastructure

44. Nearly every country that responded to the assessment, namely, all developed countries, countries with transition economies and a large majority of developing countries, has an environment statistics programme. The geographical distribution of the programmes ranges from a maximum of 100 per cent of countries in Europe and North America to a minimum of 75 per cent of countries in Western Asia, as shown in the table below.

45. Although the environment statistics programmes are generally dispersed across different institutions, formal or informal agreements of data-sharing are in place to ensure cooperation among institutions. The national statistical office often has a prominent role in the overall coordination, compilation and dissemination of statistics: these offices are the leading institutions for all subject areas in 43 per cent of the countries and for specific subject areas in 48 per cent of the countries and, in the remaining 9 per cent, other agencies lead the environment statistics programme.

46. Within the national statistical offices, the environment statistics programmes are mostly located in separate units: under economic statistics programmes in half of

[3] For the purposes of the assessment, an environment statistics programme is intended as a comprehensive programme (even if it is not exhaustive in terms of subject areas covered) for the provision of information on the environment as opposed to information on specific subject areas often carried out for resource management purposes by line ministries; an environmental-economic accounting programme refers to the compilation of any part/module of the accounts in physical or in monetary terms.

[4] See http://unstats.un.org/unsd/envaccounting/ceea/ceeaSurvey.asp.

the countries and evenly split between being independent or belonging to agriculture and environment statistics in the other half.

47. Considering that environmental-economic accounting is a relatively new area of statistics, it is noteworthy that a considerable number of countries — about half of the countries that responded to the assessment — have an environmental-economic accounting programme. As shown in the table below, the distribution of the programme among countries varies both by economic and geographical grouping. As for the economic grouping, environmental-economic accounting programmes exist in 85 per cent of developed countries, 34 per cent of developing countries and 30 per cent of countries in transition. The geographical distribution ranges from a maximum of 72 per cent of countries in Europe to a minimum of 25 per cent in Latin America and the Caribbean.

Table
Environment statistics and environmental-economic accounting programmes in countries

		Environment statistics			*Environmental-economic accounting*		
	Number of countries	*Number of countries responding to part A*	*Number of countries with a programme*	*Percentage of responding countries*	*Number of countries responding to part B*	*Number of countries with a programme*	*Percentage of responding countries*
	(1)	*(2)*	*(3)*	*(4)=(3)/(2)*	*(5)*	*(6)*	*(7)=(6)/(5)*
All States Members of the United Nations	192	84	77	92	87	43	49
Economic Grouping:							
Developed	37	26	26	100	27	23	85
Transition economy	19	10	10	100	10	3	30
Developing	136	48	41	85	50	17	34
Geographical Grouping:							
Africa	53	12	10	83	13	4	31
Western Asia	17	8	6	75	9	3	33
Central, Eastern and Southern and South-Eastern Asia	30	13	12	92	12	6	50
Oceania	14	6	5	83	6	4	67
Latin America and the Caribbean	33	16	15	94	16	4	25
Northern America	2	1	1	100	2	1	50
Europe	43	28	28	100	29	21	72

Note: Phase I of the Global Assessment consists of two parts: part A on environment statistics and part B on environmental-economic accounting. Not every country responded to both parts. Hence columns (2) and (5) are different.

48. The environmental-economic accounting programme is often located within the institution that compiles national accounts — either national statistical offices or central banks — and in a few cases, it is compiled by the Ministry of Environment. Moreover, when more than one institution contributes to the compilation of the accounts, the national statistical office is often the leading agency and there always exists a formal coordination/cooperation mechanism among the institutions.

B. Scope of the programmes

49. In about half of the countries, the environment statistics and environmental-economic accounting programmes are integrated, meaning that same definitions, classifications and data collections are used in the two programmes. The areas most commonly covered by the two programmes overlap. The environment statistics programmes include, in order of importance: water, energy, air emissions and forests. In addition to those subject areas, environmental-economic accounting programmes cover environmental protection expenditure accounts. This is the result of the compilation of this information by a large number of European countries. When European countries are excluded from the analysis, mineral and energy asset accounts are the third most common subject area.

50. Nearly all the institutions compiling environment statistics or environmental-economic accounting are planning to continue the existing compilation programme. In addition, the majority of these countries are also planning to expand their programmes. In environment statistics and environmental-economic accounting, the subject areas that are most commonly identified as areas for further expansion — in terms of broadening the scope and coverage and/or starting with new compilation — include water, energy, air emissions, forests and land and ecosystems. For environmental-economic accounting, they also include material flow/waste, mineral and energy assets and environmental protection expenditure accounts. It should be noted that material flow accounts/waste accounts is a priority area mainly for European countries.

C. Impeding factors

51. The questionnaire asked respondents to identify factors impeding the development and compilation of environment statistics and environmental-economic accounting to assess the sustainability of the programmes. Countries identified the lack of human and financial resources as the most common factors impeding the development of both programmes. Data availability and data quality were considered the key constraints in the compilation.

52. The assessment showed that environment statistics and environmental-economic accounting programmes have been supported in about half of the countries by technical assistance and funding mainly from international organizations. A few are also supported and funded through bilateral cooperation projects. About half of the countries received financial assistance from Eurostat for both environment statistics and environmental-economic accounting programmes. In some countries, such programmes have also been supported through funding from national institutions other than the national statistical office.

V. Points for discussion

53. **The Statistical Commission may wish to:**

(a) Express its views on the progress of work of the Committee of Experts on Environmental-Economic Accounting on coordination (section II.A)

and promotion and implementation of environmental-economic accounting (section II.B);

(b) Encourage the implementation in countries and to advise on whether to adopt part I of the System of Environmental-Economic Accounting for Water as an international statistical standard, subject to a possible re-evaluation, taking into account the consistency in style and content of the revised SEEA-2003 (section III).

Annex

List of countries that replied to phase I of the Global Assessment on Environment Statistics and Environmental-Economic Accounting as at 11 December 2006

Albania
Argentina
Armenia
Australia
Azerbaijan
Bahamas
Bahrain
Bangladesh
Bhutan
Bolivia
Bosnia and Herzegovina
Botswana
Brazil
Bulgaria
Burkina Faso
Cameroon
Canada
Chile
China
Colombia
Croatia
Czech Republic
Denmark
Djibouti
Dominica
Dominican Republic
Ecuador
Egypt
Estonia
Finland
Georgia
Germany
Greece
Guatemala
Hungary
India
Israel
Italy
Japan
Jordan
Kenya
Kiribati
Latvia
Lesotho
Lithuania
Luxembourg
Malaysia
Maldives
Mauritius
Mexico
Mongolia
Morocco
Nauru
Nepal
Netherlands
New Zealand
Norway
Papua New Guinea
Paraguay
Peru
Poland
Portugal
Republic of Korea
Romania
Saudi Arabia
Serbia
Seychelles
Singapore
Slovakia
Slovenia
South Africa
Spain
Suriname
Sweden
Switzerland
Thailand
The former Yugoslav Republic of Macedonia
Trinidad and Tobago
Tunisia
Turkey
Tuvalu
Ukraine
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Uruguay
Uzbekistan
Yemen

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Items for discussion and decision: international economic and social classifications

International economic and social classifications

Report of the Secretary-General

Summary

The present report was prepared at the request of the Statistical Commission at its thirty-seventh session.[a] The report outlines an implementation programme for the International Standard Industrial Classification of All Economic Activities and the Central Product Classification, as requested by the Commission.

Points for discussion by the Commission are contained in paragraph 41.

[a] See *Official Records of the Economic and Social Council, 2006, Supplement No. 4* (E/2006/24), chap. I, sect. B.

* E/CN.3/2007/1.

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I. Recommendations on international classifications made by the Statistical Commission at its thirty-seventh session

1. At its thirty-seventh session, held from 7 to 10 March 2006, the Statistical Commission:[1]

(a) Requested further elaboration on the plan for implementing the International Standard Industrial Classification of All Economic Activities (ISIC) and the Central Product Classification (CPC) and its resource implication, and requested also that the United Nations Statistics Division formulate a plan of work for presentation to the Commission at its thirty-eighth session;

(b) Noted the explanation of the processes required by the International Labour Organization (ILO) for approval of the International Standard Classification of Occupations (ISCO), which was planned for completion in 2008, reaffirmed its confidence in those processes, as implied in its decisions at its thirty-fourth, thirty-fifth and thirty-sixth sessions, welcomed the reassurance that, prior to its finalization, the new version of ISCO, would be brought back to the Commission for consultation and advice, and noted also that that had been the essence of its recommendations made at its thirtieth session, held in 1999, by which it had instructed the Expert Group on International Economic and Social Classifications to review all statistical classifications for their adherence to best practice in classifications development prior to presenting them to the Commission, and agreed that ILO should work collaboratively with the Expert Group, while respecting each other's mandates, to ensure the soundness of the new version of ISCO.

2. The implementation of ISIC and CPC is being addressed in the present report.

3. The revision of ISCO is being addressed in a separate report by ILO (see E/CN.3/2007/11).

4. Additional activities regarding ongoing work to improve or revise classifications, such as for the International Standard Classification of Education (ISCED), the Standard International Trade Classification (SITC) or the Extended Balance of Payments Services Classification (EBOPS), are described in a separate background document that will be available to the Commission.

II. Implementation of the International Standard Industrial Classification of All Economic Activities and the Central Product Classification

A. Introduction

5. At its thirty-seventh session, the Statistical Commission requested a more detailed plan for the implementation of the newly revised activity and product classifications, the ISIC, Revision 4, and the CPC, Version 2. The following describes the different components of the implementation process, timetables and resource requirements.

[1] See *Official Records of the Economic and Social Council, 2006, Supplement No. 4* (E/2006/24), chap. I, sect. C, para. 3.

6. The drafts of the International Standard Industrial Classification of All Economic Activities (ISIC), Revision 4, and the Central Product Classification (CPC), Version 2, which were approved by the Statistical Commission at its thirty-seventh session, have been submitted for publication after having gone through an additional technical editing process.

7. The focus of the work will now move to the implementation phase, to ensure that countries can make use of the improved classifications as fast as possible and that classifications providing comparable data around the world are used in major statistical programmes.

B. Overall objective of implementation

8. The efforts to be undertaken to assist countries in the implementation of the revised classifications need to be seen in the context of overall strengthening of statistical capacity and development of coherent and integrated economic statistics programmes. This overall process needs to be coordinated at a high level, engaging not only the national statistical offices (NSOs), but also other statistical data providers and users in the countries.

9. Countries may find it convenient to introduce these new classifications into their source data and national accounts statistics as part of an overall strategy centred on upgrading their national accounts. Therefore, the implementation of ISIC and CPC should strongly be considered in the context of the revision of the System of National Accounts (SNA) and support by implementing organizations should be coordinated within that framework. Care should be taken, however, that the implementation does not become too dependent on the SNA implementation timetable and that other important applications do not get ignored.

10. While implementation of the classifications is an integral part of this overall development process, it is specialized enough to warrant separate training programmes for specialists involved in the development and use of the classifications.

C. Components of work

11. The implementation programme will rely on three main elements for providing assistance to countries: (1) publication of manuals, handbooks and other classifications tools; (2) organization of meetings, training seminars and workshops on classifications; and (3) technical cooperation in individual countries. The development of national classifications, as well as the application of these classifications in statistical programmes will be addressed in these elements.

1. Development of national classifications

12. During the recent revision process of ISIC and CPC, countries have been informed of progress in work and major changes in the respective classification structures through a series of regional workshops. These workshops have also been a major tool for countries to provide input in the revision process. Moreover, these workshops have helped to keep countries up-to-date on the development of ISIC and CPC. The next step in the implementation process will be to build on this existing

understanding of the new ISIC and CPC concepts in developing national classifications.

13. It is proposed to organize the development of national classifications first on a regional basis, followed by specific national assistance, where necessary. The United Nations Statistics Division will take the main responsibility in the first part of the process. Through a series of regional workshops, the Division will focus on:

(a) Introducing the final structure of ISIC and CPC;

(b) Explaining changed concepts that should be carried over into national classifications;

(c) Developing regional adaptations, where applicable; and

(d) Applying rules for the development of national adaptations.

14. This development process will consider the recommendation by the Statistical Commission that countries should make efforts to develop national classifications that allow the aggregation and publication of statistical data at the two-digit level of ISIC without loss of information.

2. Application of the International Standard Industrial Classification of All Economic Activities and the Central Product Classification in the national context

15. After successfully completing the adaptation of ISIC and CPC to the national context, the specific application of the revised classifications will require additional support to countries. Key components of this application are set out in paragraphs 16-24 below.

(a) Updating of business registers

16. This includes methodology and practical assistance in updating the industry classification references in the business registers. Some tools will be provided by the United Nations Statistics Division (see paras. 26-30 below), while additional detailed guidance is necessary to address issues such as review and standardization of business activity descriptions, determination of principal activity, profiling, use of product data, establishing of conversion matrices and automatic coding.

17. This training again could be provided through regional workshops as above, but needs to be followed by individual country assistance. Such individual assistance needs to be provided through the activities of regional training institutes, bilateral agreements between countries and through consultants.

18. This assistance does not address the general issue of setting up a business register. For countries that are still facing that problem, additional assistance from other sources is necessary.

(b) Use of the International Standard Industrial Classification of All Economic Activities and the Central Product Classification in economic census and economic surveys

19. This will address the actual application of ISIC and CPC in economic statistics as well as issues arising out of the revision of the classifications. Applications of ISIC are rather mainstream, while the application of CPC needs to be further developed. This part of the implementation programme would therefore address specifically the application of CPC for the production of output statistics on production (goods and services) and the use of CPC in price and volume index programmes. Given the fact that an industry classification by design cannot provide detailed information on production output, the use of CPC for such purposes needs to be more strongly advocated.

20. Ideally, this stage of the implementation would also include guidance on backcasting of economic statistics data.

21. The United Nations Statistics Division will explore whether the issues described in paragraphs 13, 16, 19 and 20 above can be handled through a series of single workshops, by region, or whether, owing to the complexity of these issues, a series of second workshops will be needed. The latter would allow an assessment of country experiences (national adaptation), adaptation of business registers and update and application in economic surveys, addressing any difficulties encountered in the first series of regional workshops. For the second series of regional workshops, the priority would be the conduct of combined ISIC/CPC workshops. This does not preclude, however, the organization of separate workshops on ISIC and CPC, based on the differing applications of these classifications.

(c) Use of the International Standard Industrial Classification of All Economic Activities and the Central Product Classification in national accounts

22. After using ISIC and CPC in economic statistics programmes, the use of the resulting data in the System of National Accounts will be the next step in the implementation process. Since the application in SNA, such as in I-O tables, is typically an issue of selecting appropriate aggregates of ISIC and CPC categories, it may be best handled within the implementation programme of SNA, for example, in national accounts workshops.

(d) Use of the International Standard Industrial Classification of All Economic Activities in population census and household surveys

23. One important application of the industry classification is its use in population censuses and household surveys. This issue could be addressed in regional workshops on these topics, through special sessions dealing with ISIC. The scope of instructions given here would roughly equal the first points shown in paragraph 13 (a) above, that is, cover the revised concepts of ISIC, the revised final structure, as well as some guidance on coding issues.

(e) Use of the International Standard Industrial Classification of All Economic Activities and the Central Product Classification in administrative and legal processes

24. While ISIC and CPC have been designed primarily as statistical classifications, they are also being used in many countries in other non-statistical contexts, ranging from the use of ISIC by tax authorities to the use of CPC in legal contexts regulating services provision. It is evident that the usefulness of the classifications can be greatly improved by using them in these additional contexts. National statistical offices should consider enhanced dialogue with such partners to improve the acceptance of the classification, also leading to a larger set of administrative data that may become available. It is recognized that this also depends on factors outside of the control of the NSO.

D. Recommended timetable

25. The Commission may wish to consider a recommended timetable for the implementation of ISIC and CPC. Such a timetable could include the following milestones:

(a) Adapting national classifications by 2009;

(b) Adaptation of business registers (where existing) by 2010;

(c) Use of revised ISIC and CPC in statistical programmes starting in 2011;

(d) Use of revised ISIC and CPC in national accounts by 2015;

(e) Use in population census, and so forth, as soon as possible.

E. Supporting documentation and tools

26. A number of supplementary documents to support the understanding of new concepts in ISIC and CPC and to support switching from previous classifications to the newly revised classifications are currently being prepared and will be made available successively in electronic and hard copy formats.

27. Apart from the primary manuals for ISIC, Revision 4, and CPC, Version 2, this documentation includes the ISIC/CPC user's guide, which is currently in preparation.

28. In addition, the United Nations Statistics Division will provide correspondence tables for major classifications relevant to the application of ISIC and CPC, such as to the Harmonized Commodity Description and Coding System (HS), and to SITC as well as to classifications in the SNA, such as the Classification of the Functions of Government (COFOG) and the Classification of Individual Consumption According to Purpose (COICOP).

29. Specific correspondence tables for change from ISIC, Revision 3.1, to ISIC, Revision 4, will be developed, which will serve as primary guidelines for updating the business registers, and so on.

30. The Classifications Hotline and the Classifications website will remain as additional support tools.

F. Institutional arrangements

31. An important aspect of a worldwide implementation programme is to ensure that it is able to reach all countries around the world. The target population for such implementation includes not only national statistical offices, but also central banks and other major data compilers. The conduct of a training and implementation programme requires the participation of partners in all regions. It will not only include international organizations (e.g., United Nations, International Monetary Fund and regional commissions), but will also draw on the support of regional training institutes (e.g., Statistical Institute for Asia and the Pacific) and development banks (e.g., Asian Development Bank, African Development Bank).

32. The United Nations Statistics Division can take on the function of coordination and monitoring of implementation and training efforts and provide active assistance at regional levels. In this context, the Division will organize regional workshops as outlined above. The Division's capacity in providing direct country assistance will be limited, however.

33. International agencies and national statistical offices should collaborate in establishing a network of consultants having the necessary expertise to assist countries in this implementation process.

34. Bilateral support of countries should play a major role in the implementation process, particularly in the later stage of application of the classifications. Positive experiences from countries that have completed this process should be used in bilateral support activities to help other countries at that stage.

35. Within each country, the NSO should take on the lead role in the implementation and training process, that is, advise other offices, ministries, and so forth, on the use of the new national classification.

36. It should be noted that countries planning to use the Statistical Classification of Economic Activities in the European Community (NACE) and the Classification of Products by Activities (CPA) should be covered by the training/implementation programme carried out by the Statistical Office of the European Communities (Eurostat). This will avoid the unnecessary duplication of efforts, since Eurostat will develop the appropriate implementation tools. Coordination between ISIC/CPC and NACE/CPA implementation will still be necessary.

G. Resource requirements

37. As a worldwide process, the implementation of the revised classifications should be considered as a key element in building statistical capacity. In that context, funding, such as that provided by the World Bank, should be explored. This would in particular apply to assistance carried out by consultants.

38. Since bilateral support of countries will be an important factor in the success of this implementation process, the Commission may wish to suggest that NSOs of developed countries commit one staff member each, for two weeks, to assist other countries. This assistance would be helpful for the adaptation of the international standard to national needs and, more importantly, in the stage of application of ISIC and CPC in the statistical programmes.

H. Monitoring

39. A monitoring process should be set up to allow for reporting back to the Statistical Commission on progress in the implementation programme. The Commission may wish to ask the Expert Group on International Economic and Social Classifications to develop the outline of such a monitoring process.

40. This process should also monitor the regional and bilateral assistance programmes to avoid duplication and overlap of programmes between bilateral and multilateral donors.

I. Points for discussion

41. **The Commission may wish to endorse the following actions:**

(a) **That the Commission agrees with the overall approach to the implementation process and the proposed timetable;**

(b) **That the Commission agrees with the establishment of a formal monitoring mechanism for the implementation process.**

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Item 3 (i) of the provisional agenda*
Items for discussion and decision: international economic and social classifications

Report of the International Labour Office on updating the International Standard Classification of Occupations (ISCO)

Note by the Secretary-General

In accordance with a request of the Statistical Commission at its thirty-seventh session,** the Secretary-General has the honour to transmit the report of the International Labour Office on the revision of the revision of the International Standard Classification of Occupations (ISCO). Points for discussion by the Commission are contained in paragraph 18.

* E/CN.3/2007/1.

** See *Official Records of the Economic and Social Council, 2006, Supplement No. 4* (E/2006/24), chap. I.B.

06-67001 (E) 040107

I. Recommendation on the International Standard Classification of Occupations made by the Statistical Commission at its thirty-seventh session

1. At its thirty-seventh session, held from 7 to 10 March 2006, the Statistical Commission noted the explanation of the processes required by the International Labour Organization (ILO) for approval of the International Standard Classification of Occupations, which was planned for completion in 2008; reaffirmed its confidence in those processes, as implied in its decisions at its thirty-fourth, thirty-fifth and thirty-sixth sessions; welcomed the reassurance that, prior to its finalization, the new version of the International Standard Classification of Occupations would be brought back to the Commission for consultation and advice, and noted also that that had been the essence of its recommendations made at its thirtieth session, held in 1999, by which it had instructed the Expert Group on International Economic and Social Classifications to review all statistical classifications for their adherence to best practice in classifications development prior to presenting them to the Commission; and agreed that the ILO should work collaboratively with the Expert Group, while respecting each other's mandates, to ensure the soundness of the new version of the International Standard Classification of Occupations (Commission decision 37/105).

II. Status of the work on updating the International Standard Classification of Occupations

A. Background

2. Work on updating the International Standard Classification of Occupations (ISCO-88) was mandated by the seventeenth International Conference of Labour Statisticians (ICLS) in November 2003. The updated classification will be known as ISCO-08 and is planned to be available by the end of 2007. This was recommended by the Statistical Commission at its thirty-fourth session in March 2003.

3. In accordance with the resolution of the seventeenth ICLS concerning further work on the International Standard Classification of Occupations, the ILO plans to convene an ILO Tripartite Meeting of Experts in Labour Statistics towards the end of 2007. This meeting will be asked to evaluate the draft updated classification and make appropriate recommendations concerning its adoption to the ILO Governing Body.

4. In September 2004, a questionnaire was sent to all countries through their national statistical agencies, their ministries of labour and, when contact information was available, their vocational training institutes, employers' organizations and workers' organizations. That questionnaire sought advice on a number of conceptual issues as well as on the treatment of specific occupational groups.

5. The replies to this questionnaire were analysed by the ILO and summarized in a paper that formed the basis for discussions about ISCO at the meeting of the Expert Group on International Economic and Social Classifications held in New York in June 2005. The Expert Group provided advice about a number of proposals for change to the classification canvassed in that paper. It also expressed concern

that the use of skill level as a method of differentiating between categories in the classification needed to be explained more clearly to allow for consistent international application of this concept. With respect to the process for updating the classification, the Expert Group advised that the scope and boundaries of the revision process needed to be clarified, and that further information about the timetable for future updates was required.

6. As suggested by the Statistical Commission at its thirty-fourth session, the ILO established the Technical Expert Group for updating the International Standard Classification of Occupations (TEG/ISCO). This Group has met three times in Geneva during November 2005, July 2006 and December 2006 and has provided advice to the ILO on a range of problems associated with updating ISCO using an Internet-based electronic discussion forum.

7. At the inaugural meeting of the Group, agreement was reached on solutions to a range of issues including the boundaries of the work to be undertaken and the workplan for the updating process; an extended definition of skill level and a method of measuring this concept operationally in an international context; the most appropriate treatment in the new ISCO of a number of occupational groups that had been identified as being problematic, including managers, teachers, fast-food cooks and street-service workers; and the development of thematic (or alternative) groupings for the classification based primarily on the goods or services produced, independently of skill level.

B. Work undertaken by the ILO

8. Following the inaugural meeting of TEG/ISCO, the ILO developed an updated classification structure to reflect the agreements that had been reached by the Group. Detailed examination of that draft by both the ILO and members of TEG/ISCO led to the identification of a number of new concerns about the ISCO-88 structure and to a series of further proposals for change. Consultations about the proposals for change also took place with relevant international agencies, particularly with respect to occupations concerned with information and communication technology and the provision of health services.

9. Those further proposals were discussed at the 2nd meeting of TEG/ISCO, held in July 2006. Following that meeting, the ILO prepared an updated draft classification structure and sought the views of countries on the draft structure and on a range of outstanding issues through a second questionnaire.

10. The responses to this second questionnaire received by the end of November 2006 were analysed and discussed at the meeting of TEG/ISCO held in December 2006. That analysis indicates that there is very strong support for most of the changes proposed to ISCO-88, although some further work will be needed to resolve a number of issues of detail, particularly with respect to occupations in information and communication technology. TEG/ISCO also recommended a number of further adjustments to the classification structure on the basis of the responses to the questionnaire and more detailed consideration of some of the issues.

11. On the basis of the responses to the second questionnaire and of advice provided by TEG/ISCO, the ILO will seek comment on a near-final draft classification structure during the first half of 2007. This draft will be made

available on the ILO website in February 2007, together with a summary of the main changes, and will be provided as a conference room document for the information of the members of the Commission. The draft ISCO will also be presented for discussion at the meeting of the Expert Group on International Economic and Social Classifications to be held in April 2007.

12. Some of the more significant proposed changes are listed below:

- Reorganization of managerial occupations so as to overcome problems with the distinction between corporate managers and general managers experienced by users of ISCO-88.
- A major updating and expansion of occupations associated with information and communication technology, allowing for the identification of professional and associate professional occupations in this field as sub-major groups at the second level of the classification.
- Improved coverage and upgrading of health services occupations, providing sufficient detail to allow ISCO-08 to be used as the basis for the international reporting of data on the health workforce to the World Health Organization.
- Reorganization of the section of the classification dealing with office clerks, to reflect the increasing impact of information and communication technology on the organization of clerical work and provide more meaningful detail for occupations in which large numbers of women are employed.
- More detailed categories for some occupational groups involved in agriculture.
- More detailed categories for occupations involved in the provision of information and services to clients, including those related to tourism.
- Rationalization and restructuring of groups for plant and machine operators in response to concerns that this part of ISCO-88 was excessively detailed and out of date in some areas.
- Extended coverage of occupations that are significant in the informal sector and an associated increase in the number of sub-major groups in ISCO Major Group 9, Elementary occupations.

C. Planned future work

13. In consultation with TEG/ISCO, the ILO will prepare a final draft structure and explanatory notes by mid-2007 for discussion at the ILO Tripartite Meeting of Experts in Labour Statistics to be convened at the end of 2007. In preparing the final draft structure, the ILO will take into consideration comments made on the draft to be circulated in February 2007 as well as responses to the second questionnaire received during 2007.

14. Throughout 2007 the ILO will work closely with members of TEG/ISCO to develop updated definitions of all the ISCO-88 classification categories that will also be included in ISCO-08 and to complete work on definitions of the categories that will be new for ISCO-08. Work will also be undertaken to update the ISCO indexes.

15. Following adoption of the classification, it is intended that the Technical Expert Group will continue to function and will provide advice to the ILO on issues associated with implementation of ISCO and on the need for further updates or revisions. The ILO is currently considering its plans to provide support for implementation of the updated ISCO following its anticipated adoption at the end of 2007. This timing is required to allow sufficient time for the updated classification (ISCO-08), or national adaptations of it, to be used in the round of national population censuses to be conducted from 2010 onwards.

16. To achieve this outcome, a number of steps will need to be taken during 2008 and 2009 to support implementation of the new classification in national and regional settings. They include publication of the classification in English, French and Spanish and its release on the ILO website; preparation of manuals and training material on how to adapt ISCO-08 for use in national and regional settings; provision of training on a regional basis through a series of regional workshops; provision of technical assistance and advice directly to countries; and assistance with and review of correspondence tables between national classifications and ISCO-08.

17. The introductory material, classification structure, definitions of categories, indexes and correspondence tables between ISCO-88 and ISCO-08 will be loaded to the ISCO website as soon as possible following adoption of the classification. French and Spanish versions will be available once translations are completed.[1]

III. Points for discussion

18. **The Statistical Commission may wish to express its views on:**

(a) **The progress of the work to update ISCO-88;**

(b) **The suitability of the draft ISCO-88 structure as the international standard for classification of occupations, as a model for the development of national classifications, and as the basis for the provision of internationally comparable statistics;**

(c) **ILO plans to complete the work to update ISCO-88 and support implementation of the updated ISCO in national and regional statistical activities.**

[1] The classification structure will be available in French and Spanish as part of the development work, but translations of definitions of each category may take some months.

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Items for discussion and decision: management issues in national statistical offices: access to microdata

Report of the Australian Bureau of Statistics on principles and guidelines for managing statistical confidentiality and microdata access

Note by the Secretary-General

In accordance with a request of the Statistical Commission at its thirty-seventh session,** the Secretary-General has the honour to transmit to the Statistical Commission a report on managing statistical confidentiality and microdata access. The report has been prepared by the Australian Bureau of Statistics on behalf of the Task Force on Confidentiality and Microdata, which was constituted by the Conference of European Statisticians. The report examines the value of granting microdata access to the research community, at both the national and international levels. It points to the potential risks in microdata release and provides some principles for managing issues of confidentiality and maintaining public trust. The report also identifies some emerging practices whereby developing countries release their microdata access through data repositories. Points for discussion by the Commission are contained in paragraph 10 of the report.

* E/CN.3/2007/1.

** See *Official Records of the Economic and Social Council, 2006, Supplement No. 4* (E/2006/24), chap 1, sect. B.

06-65146 (E) 020107

I. Introduction

1. The item "Management issues in national statistical offices" has been a regular element of the Statistical Commission's multi-year programme. At its thirty-seventh session, in 2006, the Commission made access to microdata its theme for this agenda item.[1]

2. In consultation with the members of the Australian Bureau of Statistics, the United Nations Statistics Division invited the Bureau to prepare, for the Commission's consideration, a report on managing statistical confidentiality and microdata access, to guide interested national statistical offices on their release of microdata. The Bureau is the chair of the Task Force convened by the Conference of European Statisticians to review this issue.

3. The present report builds on the principles and guidelines developed by the Task Force[2] on statistical confidentiality and microdata. It adds relevant text to those principles and guidelines, aiming at a wider application, especially in the context of developing countries. In particular, a section was added on the emergence of data repository services to promote international access to microdata, increasingly being explored by some countries.

4. A first draft of this report was circulated to members of the Commission that were not members of the Conference of European Statisticians and to several other national statistical offices for review. The reviewers' comments have been incorporated into the final report, which will be published in the near future. In addition, the reviewers made suggestions on how better to promote microdata access from the developing countries' perspective; these suggestions may be summarized as follows:

(a) The principles contained in the report were well appreciated by countries. There is, however, a need for more specific guidelines on how such systems of data access could set up the necessary safeguards, with particular attention given to reflecting variations in the needs of countries at different levels of statistical development;

(b) While many of the issues of microdata access are confronted by developing and developed countries alike, the practices and circumstances governing data release are not necessarily the same. Case studies should therefore include practices of national statistical offices from different regions, especially from those that are not so advanced, so that the observations and guidelines may be more in line with the circumstances of these countries. In addition, it would be useful to include case studies that address issues of cost-sharing arrangements and the sale of anonymized samples, as practised by some national statistical offices, in particular in developed regions;

(c) National statistical offices need to be assisted with building their capacity, not only to make their microdata readily available but also to effectively manage issues of confidentiality, with the requisite follow-ups and response, to ensure compliance. Although the software for confidentializing data sets and

[1] See *Official Records of the Economic and Social Council, 2006, Supplement No. 4* (E/2006/24), chap. I, para. 2 (c).

[2] The Task Force was chaired by Australia (Dennis Trewin), with Canada, Denmark, Georgia, Italy and Poland, as members.

detailed statistical tables is available, many developing countries would require training as well as some facilitation to acquire them. National statistical offices would also need training in the preparation of support documentation and metadata, all of which should be anticipated from the inception of the survey;

(d) While there are unarguably great benefits to national statistical offices having their data used more widely, and out of necessity many have had to rely on the research community, consideration should be given to strengthening national statistical offices institutionally, to conduct some research in-house and, where applicable, with the collaboration of the research community;

(e) There is also a need to raise the awareness of researchers and other microdata users on the limitations of the data, particularly with respect to the lowest level of disaggregation that the survey design would permit. This would avert the abuse and misuse of data and embarrassing outcomes for national statistical offices.

II. Points for discussion

5. **The Statistical Commission, may wish to:**

(a) **Discuss the applicability and relevance of the proposed guidelines;**

(b) **Give guidance on the process for their adoption as guidelines for the global statistical system and suggest possible actions for their promotion and implementation;**

(c) **Advise on the desirability of international agencies acting as data repositories for interested countries and on the necessary safeguards.**

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Items for discussion and decision: development indicators

Indicators for monitoring the Millennium Development Goals

Report of the Secretary-General

Summary

The present report was prepared at the request of the Statistical Commission at its thirty-seventh session.[a] It describes the work in 2006 of the Inter-Agency and Expert Group on Millennium Development Goal Indicators in the following areas: improvement of the coverage, transparency and reporting on all indicators as presented in the database on all Millennium Development Goals; review of methodologies related to the agreed indicators; coordination of data collection at the global level; and preparation of the yearly analysis and reports on progress towards the Goals. The Commission is invited to comment on progress made by the Expert Group on the indicators and on future directions of work.

[a] *Official Records of the Economic and Social Council, 2006, Supplement No. 4* (E/2006/24), chap. I.B.

* E/CN.3/2007/1.

06-67276 (E) 120107

I. Introduction

1. Since the initial request by the General Assembly in 2002 that the Secretary-General report to it on progress achieved in the Millennium Development Goals, the shortcomings in the availability of country data have been a concern of the international statistical community and the international agencies mandated to provide the aggregate figures and related analysis to inform the report. The Statistical Commission, at its thirty-sixth session, in March 2005, requested that a report be prepared on the ability of countries to produce individual indicators and on the ways in which metadata should be presented to accompany the indicators. The report (E/CN.3/2006/15) was presented to the Statistical Commission in 2006 at its thirty-seventh session by the Friends of the Chair on Millennium Development Goal indicators. The Commission took note of the report and requested the Inter-Agency and Expert Group on Millennium Development Goal indicators to take into account the relevant recommendations of the Friends of the Chair to improve further the compilation of the indicators used in the monitoring of the Millennium Development Goals and report back to the Commission at its thirty-eighth session.

2. The Statistical Commission also proposed a resolution, approved by the Economic and Social Council in July 2006, on the strengthening of statistical capacity in countries[1] and included a set of recommendations to improve the coverage, transparency and reporting on all indicators.[2] The present report outlines the work undertaken by the Expert Group to implement the recommendations of the Friends of the Chair and describes the activities carried out by the Expert Group for the 2006 round of reporting.

II. Activities of the Inter-Agency and Expert Group on Millennium Development Goal indicators in 2006

3. The Inter-Agency and Expert Group on Millennium Development Goal indicators met twice in 2006. The 9th meeting of the Expert Group was held in Washington, D.C., from 27 to 30 March. Sixteen agencies and regional commissions were represented.

4. Based on the submissions provided by the agencies, the Department of Economic and Social Affairs prepared the *Millennium Development Goals Report, 2006*.[3] The report was launched in July 2006 by the Under-Secretary-General and was used to inform political debate at the high-level segment of the Economic and Social Council in July and at the General Assembly in September 2006. The report was very well received and is currently being reprinted.

5. The assessment of progress based on regional aggregates was also presented in a chart entitled "Millennium Development Goals: 2006 progress chart". The colour-coded chart presents an assessment of regional trends and indicates regions and

[1] The work undertaken by the Inter-Agency and Expert Group on Millennium Development Goal indicators to address the need for statistical capacity-building to produce data for the indicators is presented in the report of the Secretary-General on statistical capacity-building (E/CN.3/2007/14).

[2] See Economic and Social Council resolution 2006/6 on strengthening statistical capacity.

[3] United Nations publication, Sales No. E.06.I.18.

subregions that are on- or off-track in the achievement of the Goals. It is easy to read and is intended for wide dissemination.

6. The Statistics Division also prepared data and analysis to inform the 2006 report of the Secretary-General to the Assembly on the work of the Organization and its statistical annex, which was distributed at the sixty-first session of the Assembly.[4] The Division has also continued to maintain the website and database of the Inter-Agency and Expert Group on Millennium Development Goal indicators (http://mdgs.un.org).

7. In August 2006 the Statistics Division, in collaboration with the DevInfo group and with the aim of supporting Member States in the use of common database systems and platforms, issued the second edition of MDGInfo,[5] an adaptation of DevInfo, a technology specifically designed to support Governments in monitoring the Millennium Development Goals.

8. The 10th meeting of the Inter-Agency and Expert Group on the Millennium Development Goal indicators was held in Geneva from 13 to 16 November 2006. During the first two days of the meeting, participants included 46 experts from agencies and regional commissions. From 15 to 16 November, 21 representatives of national statistical offices from 14 countries and 45 experts from agencies, regional commissions and donor agencies attended the meeting.

9. During the first part of the meeting, the Expert Group:

(a) Reviewed the outcomes of the sixty-first session of the General Assembly and their implications for the Millennium Development Goal monitoring framework;

(b) Reviewed the proposed revisions to the list of Millennium Development Goal indicators presented by the chairs of the thematic sub-groups and by other agencies;

(c) Reviewed data availability on the proposed new indicators for regional and trend analysis;

(d) Discussed plans for the next Expert Group meeting to be held tentatively in March/April 2007 with the main objectives of finalizing data preparation and analysis for the 2007 round of reporting to the Council and the Assembly.

10. The second part of the meeting, attended by the representatives of national statistical offices, addressed the issues raised by Council resolution 2006/6. In particular, the meeting:

(a) Reviewed the recommendations of the Friends of the Chair on Millennium Development Goal indicators and the resolution on strengthening statistical capacity;

(b) Reviewed and identified countries' priorities and suggested ways to improve the production and analysis of Millennium Development Goal and development indicators;

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[4] *Official Records of the General Assembly, Sixty-first Session, Supplement No. 1* and corrigendum (A/61/1 and Corr.1).

[5] Available from http://mdgs.un.org.

(c) Reviewed and discussed agencies' mechanisms to gather data from countries, their methods for compilation of international data series and imputation techniques used to calculate regional and global estimates for Millennium Development Goal indicators;

(d) Identified ways to improve compilation of international data series, by improving reporting mechanisms from national statistical systems to international agencies;

(e) Reviewed metadata presented in the MDGInfo database and made recommendations on ways to improve them;

(f) Reviewed current methodologies for imputations and mechanisms of consultation with concerned countries and made recommendations on ways to improve methodologies and their transparency and on existing consultation mechanisms with countries.

11. The Expert Group benefited from the presence of and informative address by Gilberto Calvillo Vives, President, National Institute of Statistics, Geography and Informatics (INEGI), Aguascalientes, Mexico, who addressed the meeting in his capacity as Chair of the Statistical Commission. He highlighted all the major problems faced by statisticians when producing statistics at the country and international levels, including the following: (a) comparability over time and across countries; and (b) coordination among agencies inside a country, between countries and international agencies, and between international agencies. He stressed the benefit of having a clearing house or agency in the country to coordinate the production and dissemination of official statistics and mentioned the Statistical Data and Metadata Exchange (SDMX) initiative as the possible technical solution to improve data exchange within countries and between countries and international agencies.

12. The meeting was also addressed by Dennis Trewin, Government Statistician, Australian Bureau of Statistics, in his capacity as chair of Friends of the Chair on Millennium Development Goal indicators, who with two other members of that group present at the meeting, helped move forward the dialogue and coordination between the Expert Group and the Statistical Commission. The chair of Friends of the Chair commended the Expert Group for the steps already taken to address Friends of the Chair concerns and mentioned that coordination among agencies had improved and that a more concerted effort on capacity-building had been initiated. He also outlined what Friends of the Chair considered the major shortcomings in Millennium Development Goal monitoring, including the following: (a) the fact that more data are available in countries than those reported in the Millennium Development Goal database, and the existence of some substantial differences between data produced and disseminated by countries and those reported by international agencies; (b) the poor content of metadata for some Millennium Development Goal indicators; and (c) the use of imputations to fill in data gaps. Finally, he recalled the recommendations of the Friends of the Chair report, including the need to establish a business process to improve the transfer of data from countries to international agencies and among international agencies.

III. Improving the data and metadata in the international database

13. The 10th meeting also reviewed the work already done by the Statistics Division to address the concerns of the Friends of the Chair and the recommendations contained in resolution 2006/6, including the complete redesign of the database and website on Millennium Development Goal indicators and the inclusion of both cell-level and indicator-level metadata, which had been provided to participants in advance of the meeting for their thorough review.

14. Given that resolution 2006/6 had requested the establishment of a panel of experts to prepare a set of guidelines on metadata for indicators, the Division, in its capacity as coordinator of the Expert Group, requested the participants in the Expert Group meeting to form such a group. It was decided that steps would be undertaken to maintain consistent participation of country representatives in the Expert Group — at least for a core group — and that electronic means of communication would be used in between meetings to continuously review and improve the content and structure of the metadata. It was also agreed that participants from national statistical offices would consult further with specialists in their offices to provide recommendations and technical guidance on the metadata.

15. The experts from countries and international agencies made important recommendations for further improving the metadata, including the following:

(a) Adding a detailed explanation of the difference between global and national monitoring and related implications on methods and data presentation;

(b) Adding metadata on population estimates used to calculate indicators;

(c) Including in the website a mechanism for users to provide feedback to better understand users' needs and for them to request additional information;

(d) Including three new categories of metadata to provide users with more detailed information on agencies responsible for the compilation of data and on sources used.

16. The new website and database are continuously being upgraded, including input based on the latest recommendations made by the Expert Group, and are available from http://mdgs.un.org.

IV. Improving reporting mechanisms from national statistical systems to international agencies

17. The Expert Group reviewed and discussed existing mechanisms for agencies to gather data from national sources and made suggestions for their improvement. One of the major problems identified relates to the decentralization, in many countries, of existing reporting mechanisms, with each data producer (in line ministries) communicating directly with its own counterpart in the international agencies.

18. Country participants and international agencies recommended the following:

(a) Involve the regional commissions more extensively in data checking (discrepancies between national and international data series) and in channelling and

following up on specific queries on data and metadata between national statistical systems and international agencies;

(b) Identify a focal point, inside the national statistical system, for the coordination of official statistics. It could be the national statistical office or a statistical board or committee composed of all statistical stakeholders, with the national statistical office as member and secretariat;

(c) Improve data sharing at the international level and better identify the leading agency and its specific data requirements for each substantive topic. Specific requests for data or information would then be better channelled from countries to the international community and vice versa. In addition, countries need more timely and accurate information on data requests by international agencies so that such requests can be incorporated into their strategic planning processes;

(d) Establish a national statistical system website and database providing a single set of data (after reconciliation of all possible data sources in the country, including administrative records) and a calendar for dissemination of official statistics. Taking this step would facilitate the use of official statistics in the international community and reduce the burden on countries and international agencies.

V. Improving methodologies for the production of Millennium Development Goal indicators for global monitoring

19. Since the 8th meeting of the Expert Group in October 2005, partner agencies have agreed to provide a complete description of the way estimates and imputations are produced. The Expert Group, at its November 2006 meeting, reviewed those methodologies and made recommendations on further work. Country representatives pointed out that some of the indicators still lack an accurate description of the methods used in their compilation. They urged agencies to provide the missing metadata to the Statistics Division so that the available information on indicators could be harmonized and standardized.

20. Participants agreed that imputations, if accompanied by clear and transparent metadata, are useful for two main reasons, as follows: (a) they can be used by countries in case no official statistics are available; and (b) they make the global monitoring process more transparent by providing the user with the underlying imputed data used to estimate regional and global aggregates. Participants stressed the need for clear explanation of the entire process leading to the imputed figures, including the data, definitions and techniques used to obtain imputed data.

VI. Conclusions and the way forward

21. **The Statistics Division, in its role as coordinating agency of the Expert Group, will continue to work with the agencies and countries to improve the coverage, transparency and reporting on all Millennium Development Goal indicators.**

22. **The Commission might wish to comment on the work done in 2006 by the Expert Group and the Statistics Division in implementing the recommendations set out in resolution 2006/6 and comment on the proposed next steps, as follows:**

(a) **Make arrangements for country participants regularly to attend the fall meeting of the Expert Group, engage in consultations by electronic means between meetings and advise the Expert Group and the Division on their work to continuously improve the metadata and the methodologies used in estimates and imputations;**

(b) **Continue to work through the existing joint monitoring groups, the thematic sub-groups and the peer review groups to ensure that experts, country representatives and international agencies work together to develop the most appropriate definitions and methods for the production of all indicators and related regional and global aggregates.**

Annex

Assessment of country data availability in the Millennium Development Goal indicators database

1. The Statistics Division conducted an assessment of data available in the Millennium Development Goal indicators database, similar to the one presented to the thirty-seventh session of the Statistical Commission and prepared under the guidance of the Friends of the Chair on Millennium Development Goal indicators.

2. Since the previous assessment was conducted, more information has become available on the exact nature and sources for most of the indicators contained in the database. The analysis is based on data available in the database on Millennium Development Goal indicators as of November 2006 and focuses only on "official" Millennium Development Goal indicators and/or series and only on countries in the developing regions, for a total of 163 countries. Countries produce the data on the indicators and provide the data to the designated international agencies. Some agencies adjust the data for international comparability or produce estimates based on country data from different sources or for different reference years. Modelled data — data estimated by models based on different variables — are not counted in the assessment.

3. The indicators have been grouped into four clusters, defined below on the basis of country coverage:

(a) Indicators for which less than 13 per cent of the countries in developing regions have at least two data points since 1990. These are the most problematic indicators, with few countries collecting data for their monitoring on a regular basis;

	All data including estimates		*Countries with at least 2 data points excluding modelled data*	
Indicators in cluster (a)	*Number of countries with at least 1 data point*	*Number of countries with at least 2 data points*	*(Number)*	*(Percentage)*
Births attended by skilled health personnel (percentage)	*137*	*0*	*0*	*0*
Literacy rates of 15-24 years old, both sexes (percentage)	125	77	0	0
People living with HIV, 15-49 years old (percentage)	118	99	0	0
Poorest quintile's share in national income or consumption (percentage)	77	0	0	0
Women-to-men parity index, as ratio of literacy rates, 15-24 years old	125	77	0	0
Men 15-24 years old with comprehensive correct knowledge of HIV/AIDS (percentage)	23	1	1	1
Children under 5 sleeping under insecticide-treated bed nets (percentage)	42	4	4	2
Children under 5 with fever being treated with anti-malarial drugs (percentage)	43	6	6	4
Women 15-24 years old with comprehensive correct knowledge of HIV/AIDS (percentage)	48	6	6	4

Indicators in cluster (a)	All data including estimates		Countries with at least 2 data points excluding modelled data	
	Number of countries with at least 1 data point	Number of countries with at least 2 data points	(Number)	(Percentage)
Condom use at last high-risk sex, 15-24 years old, men (percentage)	33	12	12	7
Condom use at last high-risk sex, 15-24 years old, women (percentage)	35	12	12	7
Ratio of school attendance rate of orphans to school attendance rate of non-orphans	55	22	22	13

Note: Italics indicate provisional information.

(b) Indicators for which between 35 and 44 per cent of countries in developing regions have at least two data points since 1990. This group includes indicators with a "global" dimension, such as poverty at one dollar per day and the poverty gap ratio, that are compiled by international agencies with the main purpose of providing the General Assembly with regional and global figures. The group also includes such indicators as youth unemployment and children underweight that in principle should be regularly monitored by countries, but for which data are either insufficient or not being regularly transmitted to the international system;

Indicators in cluster (b)	All data including estimates		Countries with at least 2 data points excluding modelled data	
	Number of countries with at least 1 data point	Number of countries with at least 2 data points	(Number)	(Percentage)
Population below $1 (PPP)[a] per day consumption percentage	71	57	57	35
Poverty gap ratio	71	57	57	35
Youth unemployment rate, aged 15-24, both sexes	72	58	58	36
Children under 5 moderately or severely underweight (percentage)	111	62	62	38
Maternal mortality ratio per 100,000 live births	133	131	63	39
Condom use to overall contraceptive use among currently married women 15-49 years old (percentage)	107	70	70	43
Contraceptive use among currently married women 15-49 years old, any method (percentage)	107	72	72	44
Energy use (kg oil equivalent) per $1,000 (PPP) GDP[b]	162	72	72	44

[a] PPP = purchasing power parity.
[b] GDP = gross domestic product.

(c) Indicators for which between 55 and 87 per cent of countries in developing regions have at least two data points since 1990. The group includes indicators with a global dimension, such as protected areas and population undernourished and indicators (i) derived from very well-established data collection programmes and efficient mechanisms for reporting to international agencies (e.g. in education); (ii) derived from well-established data collection programmes and

supported by well-established peer review and inter-agency mechanisms with strong mandates (e.g. water and sanitation, child mortality); and (iii) based on data obtained from official records (e.g. women in national parliaments);

Indicators in cluster (c)	*All data including estimates*		*Countries with at least 2 data points excluding modelled data*	
	Number of countries with at least 1 data point	*Number of countries with at least 2 data points*	*(Number)*	*(Percentage)*
Share of women in wage employment in the non-agricultural sector	141	89	89	55
Percentage of pupils starting grade 1 reaching grade 5, both sexes	152	99	99	61
Proportion of the population using improved sanitation facilities (total)	162	104	104	64
Slum population as percentage of urban	158	105	105	64
Debt service as percentage of exports of goods and services and net income from abroad	111	107	107	66
Proportion of the population using improved drinking water sources (total)	162	110	110	67
Gender parity index in tertiary level enrolment	152	111	111	68
Net enrolment ratio in primary education, both sexes	152	116	116	71
Population undernourished (percentage)	121	121	121	74
Personal computers per 100 population	126	123	123	75
Primary completion rate, both sexes	137	125	125	77
Protected area to total surface area (percentage)	135	132	132	81
Seats held by women in national parliament (percentage)	134	132	132	81
Consumption of ozone-depleting CFCs[a] in ODP[b] metric tons	135	134	134	82
Children 1 year old immunized against measles (percentage)	137	137	137	84
Children's under-five mortality rate per 1,000 live births	138	138	138	85
Infant mortality rate (0-1 year) per 1,000 live births	138	138	138	85
Gender parity index in secondary level enrolment	143	138	138	85
Tuberculosis treatment success rate under DOTS[c] (percentage)	*145*	*138*	*138*	*85*
Gender parity index in primary level enrolment	143	140	140	86
Tuberculosis detection rate under DOTS (percentage)	*147*	*142*	*142*	*87*

Note: Italics indicate provisional information.

[a] CFCs = chlorofluorocarbons.

[b] ODP = ozone-depleting potential.

[c] DOTS = Directly Observed Treatment Shortcourse.

(d) Indicators for which more than 90 per cent of countries in developing regions have at least 2 data points since 1990. This group includes, among other indicators, those with a global dimension, such as emissions of CO_2 and indicators based on data obtained from administrative sources (Internet users and telephone subscribers).

Indicators in cluster (d)	*All data including estimates*		*Countries with at least 2 data points excluding modelled data*	
	Number of countries with at least 1 data point	*Number of countries with at least 2 data points*	*(Number)*	*(Percentage)*
Internet users per 100 population	152	148	148	91
Telephone lines and cellular subscribers per 100 population	151	151	151	93
Carbon dioxide emissions (CO_2), metric tons of CO_2 per capita	154	154	154	94
Land area covered by forest (percentage)	158	155	155	95

Technical notes

Information presented for indicators in italics is still provisional. Responsible agencies have been contacted for additional information.

The following indicators have not been considered in the analysis because country-level data are not available:

(a) Population using solid fuels, percentage;

(b) Population with access to essential drugs;

(c) Notified cases of malaria per 100,000 population;

(d) Malaria death rate per 100,000 population.

The following indicators have not been considered in the analysis because they are used only at the aggregate level (no country data):

(a) Average tariffs on (i) textiles; (ii) clothing; and (iii) agricultural products;

(b) Developed country imports from developing countries and from least developed countries, admitted duty free.

The following indicators have not been considered in the assessment, since the responsible agency has not yet provided the necessary metadata:

(a) Tuberculosis death rate per 100,000 population;

(b) Tuberculosis prevalence rate per 100,000 population.

Indicators under Goal 8, targets 12, 13, 14 and 15 addressing the issue of a global partnership for development have not been considered since they relate only to donor countries.

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Items for discussion and decision: statistical capacity-building

Strengthening national capacity in statistics

Report of the Secretary-General

Summary

The present report was prepared at the request of the Statistical Commission at its thirty-seventh session to report on the implementation of Economic and Social Council resolution 2006/6, on strengthening statistical capacity.[a] It provides an overview of the work undertaken by the United Nations Statistics Division, international agencies and the Inter-Agency and Expert Group on Millennium Development Goals Indicators in 2006 to support national efforts in building and strengthening national statistical capacity. The report is submitted to the Commission for discussion. The Commission may wish to comment on the future steps as described in paragraph 33 of the report.

[a] *Official Records of the Economic and Social Council, 2006, Supplement No. 4* (E/2006/24), chap. I, sect. B.

* E/CN.3/2007/1.

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I. Introduction

1. Over the years, the Economic and Social Council and the Statistical Commission have placed great importance on technical cooperation to strengthen statistical capacity in countries. The Statistical Commission has emphasized that technical cooperation activities should be demand-driven, responsive to local conditions, nationally controlled and better coordinated.

2. At its thirty-seventh session, the Statistical Commission took note of the relevant recommendations of the Friends of the Chair on Millennium Development Goals indicators[1] and stressed the importance of addressing those issues in the context of strengthening the statistical capacity of Member States, in particular of the developing countries, to monitor the Millennium Development Goals. In its resolution 2006/6 on strengthening statistical capacity, the Economic and Social Council requested the United Nations Statistics Division, the regional commissions and the international agencies to support national efforts in building and strengthening national statistical capacity. The resolution also called on the United Nations Statistics Division, in its capacity as coordinator of the Inter-Agency and Expert Group on Millennium Development Goals Indicators, to improve countries' reporting on Millennium Development Goals indicators and to coordinate capacity-building activities where needed.

3. The present report describes recent development and initiatives by international and national partners in building statistical capacity and actions taken by the Inter-Agency and Expert Group on Millennium Development Goals Indicators and the United Nations Statistics Division to address the main points raised by the Commission and the requests contained in the resolution, as reported above. In particular, it provides an overview of conclusions reached by the Expert Group to implement the recommendations contained in Council resolution 2006/6. The report also proposes the critical steps required to meet the data gaps by 2015.

II. Better data for monitoring the Millennium Development Goals

4. The availability of good statistics and the capacity of governments, donors and international organizations to systematically measure, monitor and report on progress in all policy areas lies at the heart of development policy and the achievement of the Millennium Development Goals. Scaling up of national statistical services has been increasingly recognized as a necessary step to produce data for monitoring measurable development outcomes. The essence of managing for results is that good policies, based on empirical evidence and a clear understanding of the development process, lead to improved outcomes consistent with national priorities and objectives.

5. Since the periodic assessment of progress towards the Millennium Development Goals began over five years ago, a number of initiatives have been launched to address the needs of developing countries to strengthen their statistical capacity to produce, analyse and disseminate data. These activities, especially the increased dialogue between countries and international agencies, have improved the

[1] See E/CN.3/2006/15.

availability of data for the monitoring of Millennium Development Goals progress (see the table below). Still, serious gaps remain in the availability and quality of data needed for effective monitoring of progress. With only a few years left to the target year of 2015, international and national financial commitments remain inadequate to support countries in their efforts to build strong statistical systems.

Table
Distribution of countries by number of indicators on which trend analysis is possible

Number of indicators with at least two data points	*2005 assessment*		*2006 assessment*	
	Number of countries	*Percentage of countries*	*Number of countries*	*Percentage of countries*
1-10	4	2	0	0
11-20	36	19	17	9
21-30	93	48	92	48
More than 30	58	30	82	43
Total countries	**191**	**100**	**191**	**100**

Note: The table has been produced on the basis of data available as of November 2006 in the Millennium Development Goals indicators database maintained by the United Nations Statistics Division at: http://mdgs.un.org. The analysis focuses only on "official" Millennium Development Goals indicators.

6. The assessment of data availability in the Millennium Development Goals indicators database shows that as of November 2006, 17 countries have data for 20 indicators or less. While the improvement in reporting mechanisms from countries to the international statistical system has reduced the number of countries from 36 to 17, there still exist significant gaps and shortcomings in the data production at the country level.[2]

7. Data gaps exist in all statistical areas and on indicators derived from different data collection programmes. For instance, only 57 countries in the developing regions have at least two data points for the indicator on poverty, as measured by the percentage of population living below $1 (PPP) per day consumption, and only four countries have two data points to assess progress in the percentage of children under five treated with anti-malaria drugs. The youth unemployment rate is available for two points in time only in 58 countries.[3]

III. Key findings of the Inter-Agency and Expert Group

8. The Inter-Agency and Expert Group on Millennium Development Goals Indicators, responsible for the preparation of data and analysis to monitor global trends in Millennium Development Goals and coordinated by the United Nations Statistics Division, has made statistical capacity one of its priority areas of work and

[2] See E/CN.3/2007/13 for a more detailed report on the assessment of data availability on Millennium Development Goals indicators.
[3] E/CN.3/2007/13.

has been working to define priorities and provide recommendations for actions to be undertaken at both the national and the international levels. International agencies, donors and representatives from national statistical offices have worked together to identify national priorities in capacity-building and to make specific recommendations for the improvement of the delivery and coordination of statistical assistance to countries.

9. At the most recent meeting of the Expert Group in November 2006, over 60 representatives from national statistical offices, country line ministries, agencies' country offices and international agencies reviewed priorities and formulated recommendations to improve the availability of data to monitor the Millennium Development Goals. They agreed that shortcomings in the availability and quality of data to monitor the Millennium Development Goals were due to the following:

- Countries often lack the capacity to apply internationally agreed definitions;
- Data on every given indicator are often available from different sources without validation from the national statistical authority;
- There is a general lack of coordination within national statistical systems and no clearly defined authority to oversee and verify data originating from the different data providers;
- In many developing countries, existing data collection programmes are not sustainable and national statistical offices are too dependent on survey data from surveys driven by donors, with little national ownership;
- Countries lack a focal point responsible for centralizing all requests from international agencies and reporting to the international statistical system.

10. Participants of the Expert Group, including representatives from both countries and international agencies, further agreed on steps that need to be undertaken to improve countries' capacity to report on Millennium Development Goals indicators. They stressed the need to improve coordination within countries' national statistical system, bringing all data producers together through an efficient coordination mechanism. They also agreed that that in turn would facilitate the interaction with the international statistical system and bring closer together the national and the global monitoring systems (see the annex to the present report).

11. National statisticians also recommended increasing the sense of national ownership of the internationally driven and sponsored surveys. The statistical community is well aware of this concern, and the various partners are working together towards a better coordinated way of delivering technical and financial assistance and more sustainable data collection programmes. International agencies are increasing their efforts to better coordinate their initiatives and to integrate their programmes and initiatives into the existing national strategies for the development of statistics.

IV. Progress in building statistical capacity in countries

12. The framework for international partners to assist countries in strengthening their statistical systems to better respond to new demands for official statistics has been provided by the Marrakech Action Plan for Statistics (MAPS). The Plan, consisting of a coordinated series of six actions, was developed in 2004 to improve

statistics to meet the measurement challenge of the international development agenda by 2010. Three of the actions are aimed at improving statistical work at the national level:

(a) Mainstream strategic planning of statistical systems in national development processes;

(b) Ensure full participation in the 2010 round of population censuses;

(c) Increase financing for statistics and statistical capacity-building by countries and partners.

13. The other three actions address the need to improve coordination and strengthen the international statistical system in support of a sustained improvement in the statistical capacity of developing countries:

(a) Set up an international household survey network to improve the effectiveness of international household survey programmes;

(b) Make improvements in data needed for Millennium Development Goals monitoring;

(c) Improve the accountability for international statistics.

14. Many developing countries, assisted by development partners, especially by the Partnership in Statistics for Development in the Twenty-first Century (Paris 21), have developed national strategies for the development of statistics (NSDS). NSDS provide countries with a strategy for improving statistical capacity across the entire statistical system and have increasingly provided the framework for donors to contribute to countries' statistical development in a coherent manner and in accordance with specific national priorities.

15. Progress has also been made towards one of the main objectives of the Marrakech Action Plan for Statistics, ensuring full participation to the 2010 World Population Census Programme. The United Nations Statistics Division, with financial contribution by the World Bank and in collaboration with key partners such as the United Nations Population Fund (UNFPA) and the United Nations regional commissions, has provided technical assistance to countries, expertise and improved and revised international standards.

16. Considerable progress has been achieved in improving the effectiveness of existing internationally sponsored data collection programmes. The establishment of the International Household Survey Network, in late 2004, aiming at better coordination and timing of internationally supported surveys, in order to maximize their effectiveness in providing comparable data, has been an important step in that direction. An inventory of survey instruments and datasets is being established.

17. Developing statistical capacity programmes, especially when that requires substantive institutional changes, and obtaining the necessary data from them, takes time. With only a few years left before the international community will have to assess whether their commitments made to the Millennium Development Goals have produced the expected results, there is a need for producing the necessary data in the short term. A pilot programme for accelerating data improvements has been launched by the Paris 21 secretariat, supported by the MAPS Development Grant Facility. The "Accelerated Data Programme" (ADP), designed to implement action 5 of MAPS — improving the measurement of the Millennium Development Goals in

the milestone years of 2010 and 2015 — is focused on household surveys and censuses. Work is already under way in several pilot countries.

18. Another important initiative focuses on enhancing the data dissemination infrastructure of national statistics systems in an effort to improve the use of data for evidence-based policy design and evaluation among users of official statistics, especially on Millennium Development Goals indicators. The Division collaborates with the DevInfo group to support Member States in the use of common database systems and platforms for tracking national human development indicators. MDGInfo, an adaptation of DevInfo, a technology specifically designed to support governments in Millennium Development Goals monitoring, has been issued for two consecutive years, in 2005 and 2006.

19. Other initiatives have been launched to improve country capacity to produce statistics for the Millennium Development Goals based on closer inter-agency partnership and collaboration. One such initiative is represented by the Health Metrics Network, a partnership comprised of countries, international agencies, donors, global health initiatives and experts, aimed at improving the availability and use of health information.

V. Progress in coordination of international efforts

20. Improving the effectiveness of capacity-building initiatives and the accountability of the international statistical system demands that international partners develop ways to harmonize their efforts and establish standards for good practices, in full respect of the specific requirements of the countries with which they work, especially taking into account the goals and priorities as set out in countries' NSDS. A good step in that direction was the agreement by international statistical agencies on a set of principles defining good practices by international statistical agencies.[3]

21. Some steps have also been taken towards a better coordination of statistical capacity-building efforts by agencies and donors. Paris 21 has undertaken a review of existing statistical capacity activities in sub-Saharan Africa, collecting information from 56 development partners on ongoing projects and programmes over the years 2004-2005. Also, the Committee for the Coordination of Statistical Activities, at its last session in September 2006, established four task teams to produce specific recommendations on ways to improve coordination of statistical capacity-building efforts, including on: how to improve reporting and exchange of information on statistical capacity-building activities; capacity-building through regional training initiatives for national statisticians; modalities for coordination of technical cooperation programmes at the subregional level; and the assessment of the effectiveness of statistical capacity-building activities in African countries.[4] The Committee will review the recommendations at its tenth session in September 2007 and take the work forward.

22. As better coordination of development activities among international partners is increasingly recognized as crucial to ensure the effective delivery of technical assistance, the Statistics Division has increased its efforts to facilitate donor

[4] See E/CN.3/2007/24 for a more detailed description of the work of the Committee for the Coordination of Statistical Activities.

coordination. The Division has recently explored new formats for coordinating work and establishing cooperation with other partners. One example is the recently launched project in the Southern African region, where the steering committee responsible for setting the structure and monitoring the implementation of the project also includes, besides national chief statisticians, international agencies and donors. This will allow the various stakeholders to benefit from each other's ongoing activities, avoiding duplications and helping countries to integrate the various components of the project into their overall national statistical development strategies.

23. The United Nations Statistics Division has also focused on improving south-south collaboration and building networks of statisticians in regions and subregions. This has been the approach adopted in the regional and subregional projects conducted by the Division, all relying on existing regional and subregional organizations and networks, in an effort to create strong communities of statisticians who can draw on each other's strengths and achievements. There are currently two projects being conducted in the regions of the Economic Community of West African States and the Southern African Development Community, both aiming at strengthening statistical capacity-building in support to the Millennium Development Goals. New similar projects, also aimed at the improvement of data for monitoring the Millennium Development Goals and structured around subregional organizations, are in the pipeline.

24. In a note by the United Nations Statistics Division to the High-Level Committee on Programmes, on coordinating mechanisms within the global statistical system, the issue was raised of improving existing arrangements in order to achieve a higher level of coordination among international partners. Effective coordination will be needed at all stages, including programme design, project evaluation, and quality control and monitoring. The High-Level Committee was requested to invite the United Nations Development Group and all concerned United Nations agencies and entities to extend support to this effort. The Committee expressed appreciation for the initiatives and efforts under way and stressed the need to make further progress in the coordination of the global statistical system and the crucial importance of a concerted effort at statistical capacity-building.[5]

VI. Strategies in building statistical capacity to monitor the Millennium Development Goals

25. As we approach the target year of 2015 for the achievement of the Millennium Development Goals, there is an increased sense of urgency among the development community. Data collection programmes take sometimes years to materialize and, once they are in place, data become available to users only after another year or two, in the best cases.

26. In the short term, international statistical agencies and donors will need to concentrate on identifying the key data gaps, focusing on the indicators that are most widely used in planning and monitoring, and implement data collection programmes, mainly using survey tools. The timely implementation of such programmes is crucial, as the next few years represent the last opportunity to

[5] See CEB/2006/7.

produce the necessary data for countries to be able to measure their achievements with regard to the Millennium Development Goals. The next few years also represent a unique opportunity for national statistical systems to build on the ongoing census-taking operations.

27. Also, in the short term, national statistical systems will need to strengthen their capacity to disseminate data, while at the same time improve access to data and build statistical skills within a large number of users across government and civil society. The development of data dissemination infrastructures, which will include an information technology plan, data analysis and dissemination tools consistent with international standards and guidelines, and improved software and hardware, will be crucial to ensure that existing data are used effectively in planning and monitoring and are made available to users nationally and internationally.

28. The 2010 World Population Census Programme provides a unique opportunity to engage development partners in providing assistance to countries to produce important benchmark data for monitoring development results. The census provides an opportunity for the country to strengthen its statistical infrastructures. It is therefore important that international partners build around the core programme of the census to promote and develop data collection and dissemination in other statistical areas.

29. In the longer term, the international community will continue to work towards improved coordination of initiatives by various partners to increase effectiveness of existing programmes, avoid duplications and ensure full consistency with NSDS.

30. It will also be important to bring together statistical sectors in a unified and coordinated statistical system (for instance, integrating health, education, employment records with survey data; strengthening the use of civil registration to improve the availability of vital statistics); improve coordination within the national statistical system, with one agency (preferably the national statistical office) mandated to validate all official statistics and ensure the release and dissemination of the necessary data to all users, including the international statistical system; and continue to advocate with national Governments and donors to increase financial resources for statistical capacity-building.

VII. Conclusions and way forward

31. **The United Nations Statistics Division will continue to encourage strong inter-agency collaboration to make existing initiatives more effective and increase agency-country consultations. This will facilitate a process in which national priorities are regularly reviewed and discussed, data gaps and quality issues in the monitoring of the Millennium Development Goals are continuously assessed, and the necessary steps to further the work are identified.**

32. **The Division will also continue to shape its statistical capacity-building programme on the basis of national demands and priorities, in continuous collaboration with partner agencies.**

33. **The Commission may wish to comment on the proposed future steps as outlined below:**

(a) To fully engage the countries, through regular participation in the Inter-Agency and Expert Group, in the assessment of data availability and the identification of priorities for action;

(b) To promote and coordinate the development of data collection programmes to be carried out within the next five years;

(c) To promote the use of upgraded data dissemination infrastructures and common platforms for data and metadata exchange and assist countries in this area;

(d) To continue promoting demand-driven and regionally and subregionally-based capacity-building initiatives;

(e) To promote and contribute to the development of stronger coordination within national statistical systems so that diverging national estimates can be validated and disseminated as official statistics by the national statistical office.

Annex

Summary of recommendations on countries' needs in building capacity for the production and analysis of Millennium Development Goal and development indicators

Inter-Agency and Expert Group on Millennium Development Goal Indicators

10th meeting, Geneva, 15-16 November 2006

The main conclusions of the discussion on gaps and problems on data to monitor the Millennium Development Goals were as follows:

1. Data on Millennium Development Goal indicators are often obtained from different sources and according to different definitions and methodologies, which creates difficulties in selecting and reconciling data into one official indicator.

2. Countries often lack the capacity to apply internationally agreed and recommended definitions and to understand the discrepancies in national data, due to incorrect definitions.

3. In some countries, the national statistical office has no authority to verify the data from other national producers and to coordinate the use of the various different sources.

4. Although in some countries coordination among different data producers is already mandated by national statistical laws, these laws are not always enforced owing to lack of organization within the statistical system and pressure from donors who accommodate their requests and agendas before country needs. There is a diversion of resources from national to international priorities.

5. Many developing countries lack sustainability in data collection programmes. National statistical offices are too dependent on survey data, and particularly from surveys driven by donors, with little national ownership.

6. Administrative data are not used effectively, and additional efforts are needed to improve the quality of records and data generated by administrative systems.

7. Problems with reporting to international agencies are linked to the lack of coordination within countries among the various statistical agencies (administrative data from line ministries, national statistical offices, etc.) and the lack of a focal point at the country level for centralizing all requests received from international agencies.

Strategies and best practices were recommended as follows:

1. Strengthening the coordinating role of the national statistical office within the national statistical system. National statistical offices should be the central office for all statistical matters in order to ensure quality of official statistics, use of agreed standards across all national data producers, and consistency and continuity in official data series.

2. Establishing a "quality system" to assess all available statistics in the country for the different topics, with the national statistical office as a "clearance agency" verifying the quality and production of all official statistics for the country. The

secondment/deployment of national statistical office staff to line ministries producing statistics was indicated as a possible way to ensure statistical quality to the outputs and to facilitate coordination across data producers within the national statistical system.

3. Improving access to metadata for countries to be able to produce data according to agreed definitions and methods.

4. Establishing an inter-agency, inter-department body/committee in charge of the Millennium Development Goals (monitoring, policymaking) involving all stakeholders. This would ensure institutionalization of Millennium Development Goals monitoring and establish a collaborative environment inside the country. It would also facilitate the production of single (as opposed to multiple) statistics to be used as official statistics within the country and to be sent to the international agencies.

5. Establishing an improved national information system and developing an official central (single) repository/database maintained by national statistical offices or Millennium Development Goals committees to provide official data to national and international partners and thus facilitate communication within the country and between the country and the international community.